

OSK Holdings Berhad
(207075-U)
Annual Report 2006



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A tall, modern skyscraper with a white facade and vertical glass panels. The building is identified by a sign at the top as 'OSK Investment Bank'. The sky is blue with some clouds. In the foreground, there are palm trees and a sign for 'OSK' and 'OSK HOLDINGS BERHAD'.

notice of annual general meeting

OSK

IBU PEJABAT
OSK HOLDINGS BERHAD

Notice of Annual General Meeting

OSK Holdings Berhad

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of OSK Holdings Berhad will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 April 2007 at 3.00 p.m. to transact the following business:-

Agenda

- | | |
|---|--|
| 1. To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2006. | Ordinary Resolution 1 |
| 2. To sanction the declaration of a final dividend of 7.5 sen per share less income tax of 27% in respect of the financial year ended 31 December 2006. | Ordinary Resolution 2 |
| 3. To approve the payment of Directors' fees of RM215,000.00 for the financial year ended 31 December 2006. | Ordinary Resolution 3 |
| 4. To re-elect the following Directors who retire by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offer themselves for re-election:

(a) Dato' Nik Mohamed Din bin Datuk Nik Yusoff

(b) Mr. Ong Leong Huat @ Wong Joo Hwa | Ordinary Resolution 4

Ordinary Resolution 5 |
| 5. To re-elect Dr Ngo Get Ping who retires in accordance with Article 109 of the Company's Articles of Association and being eligible, offer himself for re-election. | Ordinary Resolution 6 |
| 6. To re-appoint Dato' Mohamed Tarmizi bin Mohd Tahir who retires pursuant to Section 129 (6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Company. | Ordinary Resolution 7 |
| 7. To re-appoint Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 8 |

Notice of Annual General Meeting

OSK Holdings Berhad

As Special Business

To consider and, if thought fit, to pass the following Ordinary/Special Resolutions:

8. AUTHORITY TO ALLOT AND ISSUE SHARES

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Ordinary
Resolution 9**

9. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND NEW MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions involving the interests of the Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiary companies ("Related Parties") as specified in Section 2.1.1 of the Circular to Shareholders dated 28 March 2007, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out on an arm's length basis, in the ordinary course of business and on normal commercial terms which are not more favorable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT the shareholders' mandate, unless revoked or varied by the Company in a general meeting, shall take effect from the date of the passing of this Ordinary Resolution and will continue in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless authority is renewed by a resolution passed at the next Annual General Meeting;
- (b) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by shareholders in a general meeting before the next Annual General Meeting,

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

**Ordinary
Resolution 10**

Notice of Annual General Meeting

OSK Holdings Berhad

10. PROPOSED RENEWAL OF AUTHORISATION TO ENABLE OSK HOLDINGS BERHAD TO PURCHASE UP TO 10% OF THE ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF THE COMPANY PURSUANT TO SECTION 67A OF THE COMPANIES ACT, 1965

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company's audited retained profit of RM400.8 million and/or the share premium account of RM62.7 million for the financial year ended 31 December 2006 at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

AND THAT the authority conferred by this resolution will commence immediately and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company or any person before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of Bursa Securities and all other relevant governmental and/or regulatory authorities."

**Ordinary
Resolution 11**

Notice of Annual General Meeting

OSK Holdings Berhad

11. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the 2006 Annual Report be and are hereby approved AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company.

**Special
Resolution**

12. To transact any other ordinary business of which due notice shall have been given.

Notice Of Dividend Entitlement And Payment

Notice is hereby given that the final dividend of 7.5 sen per ordinary share less 27% income tax for the year ended 31 December 2006, if approved by the shareholders at the Seventeenth Annual General Meeting, will be payable on 21 May 2007 to shareholders whose names appear in the Register of Members and Records of Depositors on 7 May 2007.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 3 May 2007 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 7 May 2007 in respect of transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WONG WEI FONG (MAICSA 7006751)
LIM LEE KUAN (MAICSA 7017753)
Company Secretaries

Kuala Lumpur
28 March 2007

Notice of Annual General Meeting

OSK Holdings Berhad

Notes:

1. A member entitled to attend and vote at this meeting entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Explanatory Notes on Special Business

(i) Ordinary Resolution 9 - Authority to Allot and Issue Shares

The Ordinary Resolution 9, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

(ii) Ordinary Resolution 10 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature.

Please refer to the Circular to Shareholders dated 28 March 2007 for further information.

(iii) Ordinary Resolution 11 - Proposed Renewal of Authorisation to enable OSK Holdings Berhad to purchase up to 10% of the Issued and Paid-up Ordinary Share Capital of the Company pursuant to Section 67A of the Companies Act, 1965

Please refer to the Share Buy-Back Statement dated 28 March 2007 for further information.

(iv) Special Resolution - Proposed Amendments to the Articles of Association of the Company will bring the Articles of Association of the Company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of Annual General Meeting

OSK Holdings Berhad

Details of Directors who are standing for re-election in Agenda 4, 5 and 6 of the Notice of the Seventeenth Annual General Meeting are set out in the Directors' Profile appearing on page 16 to 19 of this Annual Report.

Five Year Financial Summary

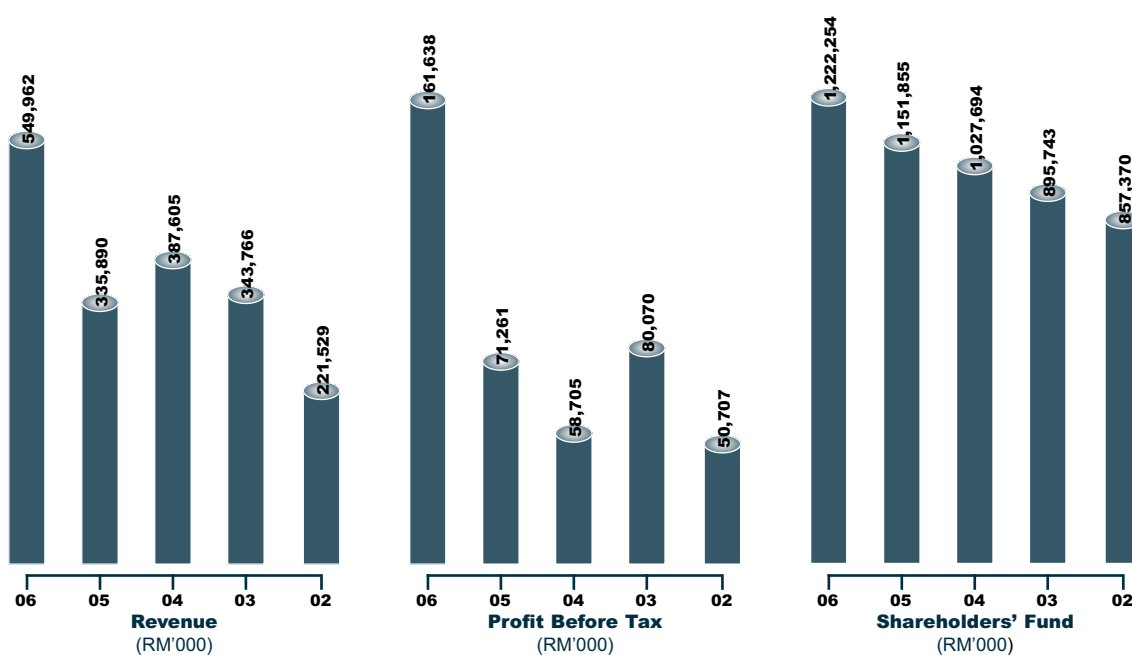
OSK Holdings Berhad

(RM'000)	2006	2005	2004	2003	2002
Revenue	549,962	335,890	387,605	343,766	221,529
Profit Before Tax ^{N1}	161,638	71,261	58,705	80,070	50,707 ^{N3}
Profit Attributable To Equity Holders Of The Company	99,501	45,401	25,237	50,506	38,228 ^{N3}
Shareholders' Funds	1,222,254	1,151,855	1,027,694	895,743	857,370 ^{N3}
Net Assets	1,521,114	1,360,831	1,238,610	989,544	952,709 ^{N3}
Number Of Outstanding Shares As Issued And Fully Paid ('000 shares)	608,569	610,358	570,831	489,342	487,688 ^{N3}
Basic Earnings Per Share (sen)	16.35	7.61	4.49	10.37	7.63 ^{N3}
Gross Dividends Per Share (sen)	12.50	7.50	^{N2}	7.50	5.00 ^{N3}
Net Tangible Assets Per Share (RM)	1.60	1.61	1.49	1.45	1.36 ^{N3}
Net Assets Per Share (RM)	2.50	2.23	2.17	2.02	1.95 ^{N3}
Closing Price At End Of The Year (RM)	1.96	0.96	1.42	1.64	1.40

^{N1} Profit Before Tax for financial year 2002 to 2005 have been restated in accordance with the adoption of Financial Reporting Standard ("FRS") 101: Presentation of Financial Statements where share of results of associated companies is now presented net of taxation.

^{N2} Interim dividend of 5.00 sen per share and final dividend on the basis of 1 treasury share for every 45 ordinary shares held.

^{N3} In the year 2003, comparative figures for financial year 2002 have been restated in accordance with the adoption of Malaysian Accounting Standard Board Standard 25: Income Taxes.



Board Of Directors

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim
 Wong Chong Che
 Dato' Mohamed Tarmizi bin Mohd Tahir
 Dr Choong Tuck Yew
 Dr Ngo Get Ping
 (Appointed on 16 January 2007)

- Executive Chairman
- Group Managing Director/Chief Executive Officer
- Executive Director
- Non-Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director

Management Board

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim

Executive Committee

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim

Audit Committee

Dr Choong Tuck Yew - Chairman
 Dato' Mohamed Tarmizi bin Mohd Tahir
 Wong Chong Kim

Nomination Committee

Dr Choong Tuck Yew - Chairman
 Dato' Mohamed Tarmizi bin Mohd Tahir

Remuneration Committee

Dr Choong Tuck Yew - Chairman
 Ong Leong Huat @ Wong Joo Hwa
 Dato' Mohamed Tarmizi bin Mohd Tahir

Company Secretaries

Wong Wei Fong (MAICSA 7006751)
 Lim Lee Kuan (MAICSA 7017753)

Auditors

Ernst & Young (AF:0039)
 Chartered Accountants
 Level 23A, Menara Milenium
 Jalan Damanlela, Pusat Bandar Damansara
 50490 Kuala Lumpur

Principal Bankers

Affin Bank Berhad
 CIMB Bank Berhad
 DBS Bank Ltd
 Malayan Bank Berhad
 OCBC Bank (Malaysia) Berhad
 Oversea-Chinese Banking Corporation Limited
 RHB Bank Berhad
 Standard Chartered Bank Malaysia Berhad
 Standard Chartered (Hong Kong) Limited
 The Hong Kong and Shanghai Banking Corporation Limited
 United Overseas Bank Limited
 United Overseas Bank (Malaysia) Berhad

Solicitors

Cheang & Ariff
 Rajes Hisham Pillai & Gopal
 Sivananthan

Registrar

Symphony Shares Registrar Sdn Bhd
 Level 26, Menara Multi-Purpose, Capital Square
 No. 8, Jalan Munshi Abdullah
 50100 Kuala Lumpur
 Tel : (603) 2721 2222
 Fax : (603) 2721 2530

Registered Office/Principal Business Address

20th Floor, Plaza OSK
 Jalan Ampang, 50450 Kuala Lumpur
 Tel : (603) 2333 8333
 Fax : (603) 2175 3220

Stock Exchange Listing

Main Board, Bursa Malaysia Securities Berhad

Milestones and Events 2006

OSK Holdings Berhad

9 January 2006	Hong Kong Capital Market Seminar OSK organised a Hong Kong Capital Market Seminar to introduce the Hong Kong market to OSK Fund Managers and clients.
31 March 2006	Acquisition of DMG & Partners Securities Pte Ltd OSK Securities Berhad (now known as OSK Investment Bank Berhad) completed the purchase of a 51% interest in DMG & Partners Securities Pte Ltd.
22 April 2006	Thinking Women Financial Wellness Programmes OSK in collaboration with the National Bureau of Wanita MCA held the "Thinking Women Financial Wellness Programmes" which focused on wealth management and preservation for women. Officially launched by YB Datuk Dr Ng Yen Yen, Wanita MCA National Chairman cum Deputy Minister of Finance I, subsequent seminars took place at Kuantan and Kuala Terengganu.
28 April 2006	Business for Architecture Growth Seminar OSK Holdings Berhad sponsored the "Business for Architecture Growth Seminar" at Kulim Golf and Country Resort, Kulim, Kedah. Graced by Menteri Besar Kedah Darul Aman, Y.A.B. Dato' Seri Mahdzir bin Khalid, the seminar was attended by 200 business owners and invited guests.
4 May 2006	Top Malaysian Small Cap Companies - 100 Hidden Jewels launch OSK Research Sdn Bhd launched the second edition of Top Malaysian Small Cap Companies - 100 Hidden Jewels and provided extensive coverage on 100 selected small cap stocks.
15 May 2006	OSK-UOB Launched Resources Fund OSK-UOB Unit Trust Management Berhad launched the Resources Fund following the strong and rising demand for natural resources products across the globe and strong commodities prices.
25 May 2006	Oil & Gas Corporate Day OSK Research Sdn Bhd organised Oil & Gas Corporate Day, a one-on-one meeting between 5 selected oil and gas companies with OSK Fund Managers and clients.
8 June 2006	Business Succession Trust Press Launch OSK Trustees Berhad held a Press Launch for its Business Succession Trust.
8 July 2006	OSK National Pro Am 2006 OSK Holdings Berhad organised the OSK National Pro Am 2006, a dynamic golf event series pairing both amateur qualifiers with top Asian and local professionals. The Grand Finals were held at Swiss Garden Resort and Spa Damai Laut.
15 August 2006	Singapore Corporate Day Seminar DMG & Partners Securities Pte Ltd organised the Singapore Corporate Day Seminar with the objective of introducing the Singapore market to OSK Fund Managers and clients.
28 August 2006	OSK Holdings Berhad Transferred OSK Asia Holdings Limited to OSK Securities Berhad OSK Holdings Berhad transferred its 75.76% equity interest in OSK Asia Holdings Limited to OSK Securities Berhad (now known as OSK Investment Bank Berhad).
18 September 2006	OSK-UOB Launched the Capital Guaranteed BRIC Fund OSK-UOB launched the Capital Guaranteed BRIC Fund to tap into the emerging markets in Europe and China.

Milestones and Events 2006

OSK Holdings Berhad

22 September 2006	<p>OSK Holdings Berhad Transferred OSK Futures And Options Sdn Bhd to OSK Securities Berhad</p> <p>OSK Holdings Berhad transferred its 100% equity interest in OSK Futures And Options Sdn Bhd to OSK Securities Berhad (now known as OSK Investment Bank Berhad).</p>
31 October 2006	<p>Steel Corporate Day Seminar</p> <p>4 selected companies from OSK's "Top Malaysian Small Cap Companies – 100 Hidden Jewels" were introduced at the seminar.</p>
2 November 2006	<p>Swiss American Securities Inc (SASI) Lunch Presentation</p> <p>OSK organised the SASI Lunch Presentation on the US market as well as the global market outlook for OSK Heads of Department, remisiers and High Net Worth clients.</p>
8 November 2006	<p>Briefing on 9th Malaysian Plan (9MP) Implementation</p> <p>OSK Research Sdn Bhd held a briefing on 9th Malaysian Plan (9MP) for OSK Fund Managers and clients.</p>
9 to 11 November 2006	<p>OSK Hong Kong Capital Market Seminar</p> <p>"Gateway to China" seminars were held at Ipoh, Penang and Petaling Jaya to promote the potential investment opportunities in Hong Kong via OSK Asia Holdings Ltd.</p>
15 November 2006	<p>Business Merger</p> <p>OSK Securities Berhad (now known as OSK Investment Bank Berhad) entered into a Business Merger Agreement with OSK Futures And Options Sdn Bhd ("OSKFO") to merge its stockbroking activities with the futures & options broking activities of OSKFO.</p>
16 November 2006	<p>OSK Investment Bank (Labuan) Limited Signed Joint-Venture Agreement for Set Up in Dubai International Financial Centre (DIFC)</p> <p>OSK Investment Bank (Labuan) Limited entered into a Joint-Venture Agreement with Washington Square Investment Management (Asia Pacific) Limited and H.E. Khalid Ali Al Bustani to set up a joint-venture company in DIFC to provide financial and investment advisory services to businesses that are looking to explore fund raising opportunities in the Middle East region.</p>
27 November 2006	<p>OSK Holdings Berhad Wholly Owned OSK Wealth Planners Sdn Bhd</p> <p>OSK Holdings Berhad ("OSKH") entered into a Sale of Shares Agreement with Equitable Investment Co. (Hong Kong) Ltd to acquire the 50% equity interest in OSK Wealth Planners Sdn Bhd not already owned by OSKH.</p>
11 December 2006	<p>New licence to DMG & Partners Securities Pte Ltd ("DMG")</p> <p>DMG has been granted a new licence on Advising on Corporate Finance and an approval on Acting as Issue Manager respectively by Monetary Authority of Singapore and Singapore Exchange Limited.</p>
28 December 2006	<p>Investment Bank Status</p> <p>Minister of Finance II approved the granting of a merchant bank licence to OSK Securities Berhad, enabling it to be transformed from a universal broker into an investment bank and to operate under the name of "OSK Investment Bank Berhad".</p>

Corporate Social Responsibilities

OSK Holdings Berhad



A RESPONSIBLE CORPORATE CITIZEN

In 2006, we saw a more conscious and concerted effort by the OSK Group to engage in corporate social responsibility ("CSR") activities. We believe that corporate responsibility is an inherent duty to make positive contributions to the community we live in and it is an extension of our business - one that involves our many stakeholders including our employees, clients, shareholders, investors, business associates, regulators and the community.

These activities were chosen because they best represent the values that we believe in. We want to play an active role in sharing, not only financially, but also in our expertise and know-how to provide

better access to information as well as to contribute towards the development of the capital market and to shape a better informed community.

During the year 2006, we conducted the following events:

- Donated gifts, cash and time to bring some festive cheer to local charitable organisations, such as the Charis Old Folks' Home, the San Pedro Shelter and the Agathians Shelter orphanages.
- Jointly organised and sponsored the "Thinking Women Financial Wellness" programme. The series of seminars aimed at educating women to be more savvy with their financial decisions were conducted at three venues across the country.
- Provided free access to our financial portal www.OSK188.com to business and economic desk editors from local newspapers, TV stations and magazines to assist them in obtaining accurate and up-to-date market information and researches.
- Arranged for a day out for our media friends to help melt away their stress and to rejuvenate their senses with a special spa treatment and luncheon in celebration of the New Year 2007 at the Samsara Spa, Swiss Garden Hotel.
- Organised the OSK Pro-Am Golf Tournament 2006 that allowed, for the first time ever, local

Corporate Social Responsibilities

OSK Holdings Berhad



amateur golf enthusiasts to pit their skills against professional Asian golf players. The well-received event generated huge interest in the sport and we are hopeful that in time, it will help to support the development and advancement of golf in the country.

- Hosted a Mooncake Festival and Hari Raya gathering, where our employees, remisiers, clients and business associates were able to relax and socialise in a warm and friendly environment in celebration of the festive season.
- Treated our clients, employees, and business associates to the screening of blockbuster movies *Memoirs of a Geisha*, *Mission Impossible III* and the latest *007*

reincarnation, *Casino Royale*, as a way to show our appreciation.

- Participated in UTAR Career Day where we gave a career talk and conducted interview sessions. The event received overwhelming response from students who aspire to start their career in the financial industry.
- Hosted a Swiss American Securities Inc Group ("SASI") lunch presentation where employees, clients and remisiers received valuable insight on global market trends and investment strategy.
- Participated in the "Older Persons and the 9th Malaysia Development Plan (9MP)", which was organised by USIAMAS (The Goldenage Welfare

Association of Malaysia). OSK Trustees Berhad, OSK Wealth Planners Sdn Bhd and OSK Asset Management Sdn Bhd sponsored corporate items and set up booths to educate attendees on the importance of will-writing and financial planning.

- DMG & Partners Securities Pte Ltd, our subsidiary in Singapore, participated in the SGX Bull Run with a donation of S\$10,000. Over 40 of our remisiers and staff participated in the road run which took the runners through the main roads of the financial district. Proceeds from the event benefited 13 different charities in Singapore.

Management Team

OSK Holdings Berhad

ASSET MANAGEMENT

Ameer Ali bin Vali Mohamed
Chief Executive Officer /
Chief Investment Officer

CAPITAL FINANCING

Voon Pak Keong
Director

CORPORATE ADVISORY

Joseph Soo Hong Weng
Director
Head of Corporate Finance

DERIVATIVES & STRUCTURED PRODUCTS

Foo Keah Keat
Director
Head of Derivatives & Structured Products

DEBT CAPITAL MARKETS

Eddie Fong Loong Seng
Director
Head of Debt Capital Markets

INVESTMENT BANKING

Ong Ju Yan
Director
Investment Banking and Special Assistant
to Group Managing Director/CEO

INVESTMENT BANKING CLIENT COVERAGE

Mohd Izzuddin bin Mohd Yusof
Director
Investment Banking Client Coverage

TREASURY

Yeo Chin Tiong
Director
Head of Treasury

PRIVATE CLIENT SERVICES

Christine Cho Oi Kwan
Senior Vice President
Head of Private Client Services

DEALING

Nik Halim @ Nik Ghazi bin Nik Daud
Director
Head of Dealing

Mohd Idris bin Ahmad Jais
Director

Nicky Ng Cheng Loong
Associate Director
Co-Head of Institutional Equities

Noor Ashikin binti Abdullah
Associate Director
Co-Head of Institutional Equities

Jason Ong Kok Aun
Senior Vice President,
Priority Financial Services

ESTATE PLANNING AND TRUSTEE

Ong Eu Jin
Chief Operating Officer

FUTURES & OPTIONS

Steven Lai Choon Lim
Director

INVESTMENT BANK (LABUAN)

Yeoh Kok Hoe
Chief Operating Officer

INVESTMENT RESEARCH

Kenny Yee Shen Pin
Head of Research

FINEXASIA

Jimmy Loke Kok Cheong
Associate Director

PROPERTY MANAGEMENT

Teong King Hua
Director/General Manager

Gerard Tan Boon Chuan
Director/Chief Operating Officer

UNIT TRUST MANAGEMENT

Ho Seng Yee
Chief Executive Officer

VENTURE CAPITAL

Eddie Yap Yuh Foh
Director/Chief Operating Officer

WEALTH PLANNING

Jenny Qua Mu Im
Chief Operating Officer

OPERATIONS

Diong King Kuang
Director
Head of Operations

Ding Guat Shin
Associate Director
Operations

Yvonne Lee Kwee Yuen
Associate Director
Head of Credit Control & Supervision

GROUP SUPPORT SERVICES

John Ding Lien Bing
Group Chief Financial Officer,
Group Finance & Administration

Albert Tai Lee Chuan
Director
Head of Compliance

Woon Chong Boon
Director
Head of Group Corporate & Legal Affairs

Jeannie Yau Siew Foon
Director
Head of Group Human Resources

Lee Kah Kim
Associate Director
Head of Group Internal Audit

Liew Kim Weng
Associate Director
Head of Group Information Technology

Grace Lim Wooi Teen
Associate Director
Head of Risk Management

Jessica Chang Wai Kuen
Senior Vice President
Co-Head of Customer & Network
Relationship Management

Rafizah binti Amran
Senior Vice President
Head of Group Corporate Communications

NETWORK OFFICES

Chan Kong Ming
Director
Head of Southern Region

Eddy Tan Kheak Geai
Director
Head of Northern Region

Wong Eng Kui
Director
Head of East Malaysia Region

Alan Chong Chee Choong
Associate Director
Head of Central Region

Chi On Kang
Associate Director
State Manager - Johor

Kong Kek Hing
Associate Director/Business Advisor
Sarawak Region

Shirley Wong I Kiew
Associate Director
Head of East Coast Region

Shiak Vui Ming
Senior Vice President
State Manager - Sabah

Ch'ng Kien Hong
Senior Vice President
Acting State Manager - Perak

OSK ASIA - HONG KONG

Hui Chiu Chung, Stephen, JP
Group Managing Director,
OSK Asia Holdings Limited

Au Kim Fung, Allen
Managing Director,
OSK Asia Securities Limited

Choy Yin Leng, Tina
General Manager, Operations,
OSK Asia Holdings Limited

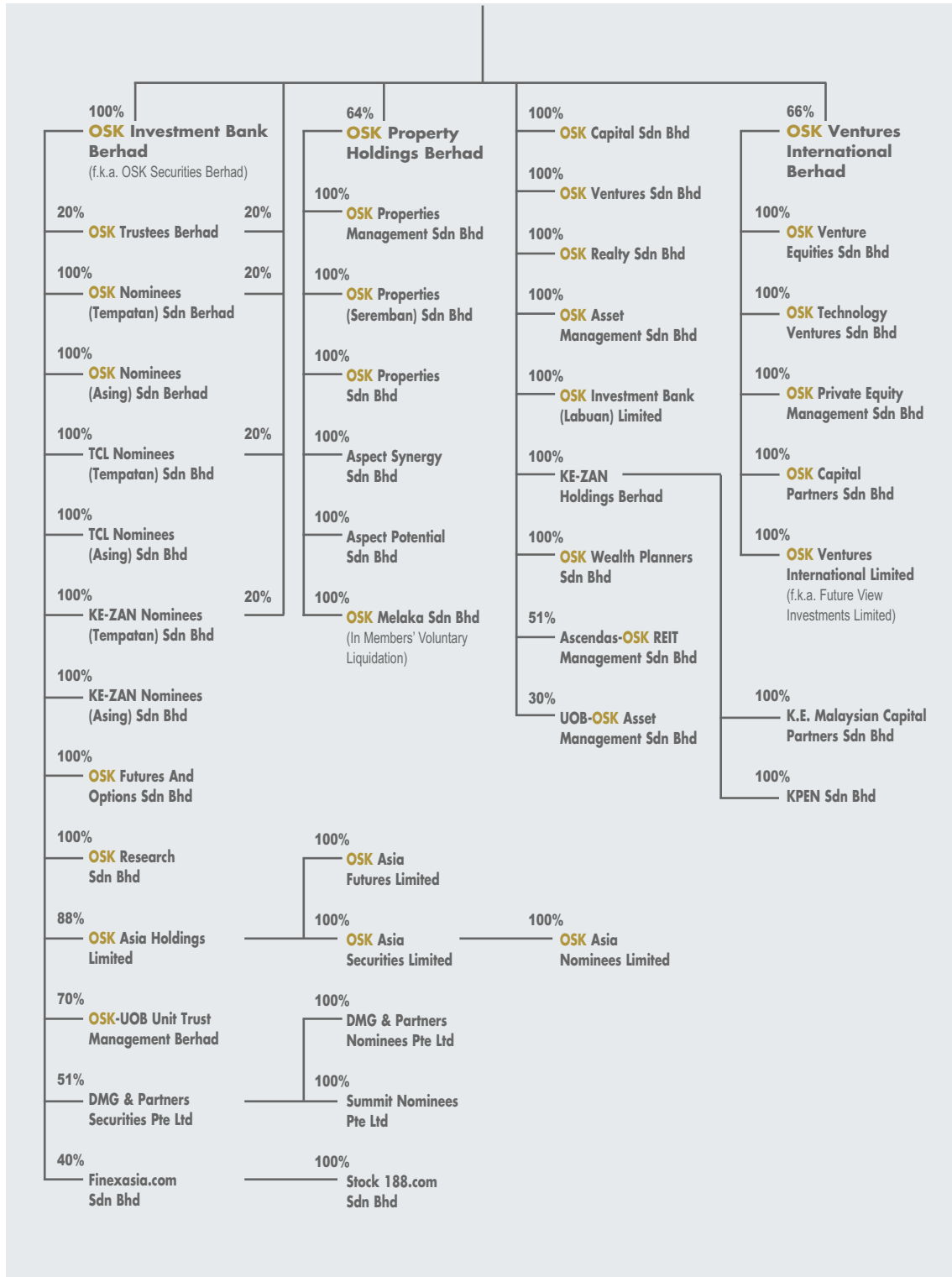
Tsang Siu Hung, Simon
Executive Director,
OSK Asia Futures Limited

Sui Ming Fai, Robin
Executive Director
OSK Asia Holdings Limited

Man Leung Yan, Lumen
Managing Director, Institutional Sales
OSK Asia Securities Limited

OSK Holdings Berhad

(207075-U)





directors'
profile

Executive Chairman

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF,

aged 64, a Malaysian, is the Executive Chairman of OSK Holdings Berhad ("OSKH"). He was appointed to the Board of the Company on 12 January 1998.

Dato' Nik Mohamed Din is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1968. Dato' Nik Mohamed Din was the Chairman and Executive Chairman of Bursa Malaysia Securities Berhad for 12 years from 1985. He had previously served as a Magistrate for the Malaysian Judicial Services in 1969. He joined Messrs Mah, Kok and Din as a lawyer for 13 years before assuming the appointment as the Executive Chairman of OSK Securities Berhad in 1984.

Dato' Nik Mohamed Din is also Executive Chairman of OSK Property Holdings Berhad and OSK Ventures International Berhad. He is also a director in Jerasia Capital Berhad and QBE Insurance (Malaysia) Berhad.

Dato' Nik Mohamed Din is the brother-in-law of Dato' Nik Mohamed bin Nik Yahya. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Nik Mohamed Din attended all the four (4) Board meetings of the Company held during the financial year.

Group Managing Director/Chief Executive Officer (CEO)

ONG LEONG HUAT @ WONG JOO HWA,

aged 63, a Malaysian, is the Group Managing Director/Chief Executive Officer (CEO) of OSKH. He was appointed to the Board of the Company on 21 November 1990. Mr Ong Leong Huat is also a member of the Remuneration Committee of the Company.

Mr Ong has been the Managing Director/CEO of OSK Securities Berhad since July 1985. He holds a dealer's representative licence issued by the Securities Commission under the Securities Industry Act, 1983. Prior to this, he was attached to a leading financial institution for 17 years from 1969 where he held the position of Senior General Manager.

Mr Ong is also the Group Managing Director/CEO of OSK Ventures International Berhad and a Non-Independent Non-Executive Director in OSK Property Holdings Berhad.

Mr Ong is the brother of Mr Wong Chong Kim and Mr Wong Chong Che. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no

conviction for any offences within the past ten years.

Mr Ong attended all the four (4) Board meetings of the Company held during the financial year.

Executive Director

WONG CHONG KIM,

aged 51, a Malaysian, is currently the Executive Director of OSKH. He was appointed to the Board of the Company on 21 November 1990. He is also a member of the Audit Committee of the Company.

Mr Wong is a Fellow of the Chartered Association of Certified Accountants, a member of the Malaysian Institute of Accountants and a member of The Institute of Internal Auditors Malaysia. He joined OSK Securities Berhad as a Finance Manager in 1985 and became an Executive Director in 1989. He holds a dealer's representative licence issued by the Securities Commission under the Securities Industry Act, 1983. Prior to this, he was the Accountant and Assistant Credit Manager of a leading financial institution in 1983 for 2 years.

Mr Wong is also an Executive Director of OSK Ventures International Berhad and act as a Non-Independent Non-Executive Director of OSK Property Holdings Berhad.

Mr Wong is the brother of Mr Ong Leong Huat and Mr Wong Chong Che. He has no conflict of interest

Directors' Profile

OSK Holdings Berhad

other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong attended all the four (4) Board meetings of the Company held during the financial year.

Independent Non-Executive
Director

DR NGO GET PING,

aged 49, a Malaysian, is the Independent Non-Executive Director of OSKH. He was appointed to the Board of the Company on 16 January 2007.

Dr Ngo graduated from University of Oxford (UK) with a DPhil in Metallurgy in 1984. He was given the best student award by the Institute of Civil Engineer, UK, in 1980.

He was the contract manager for Intraco (S) Pte Ltd, a soil specialist construction company in 1985-1986 and was an Investment Officer for GIC (Singapore) from 1986 to 1987. He was an Associate Director with James Capel Asia Pte Ltd from 1988 to 1993 and a Senior Vice President with Nomura Securities Singapore Pte Ltd from 1994 to 1996. He also held the Head of Sales and Deputy Country Head positions with CLSA Singapore Pte Ltd from 1996 to 2006. Dr Ngo is also an Independent Non-Executive Director in Tiong Nam Logistics Holdings Berhad.

Dr Ngo does not have any family relationship with any directors and/or major shareholders of the Company and has no conflict of interest other than those disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no conviction for any offences within the past ten years.

Non-Independent Non-Executive
Director

WONG CHONG CHE,

aged 53, a Malaysian, is the Non-Independent Non-Executive Director of OSKH. He is one of the First Directors appointed to the Board of the Company on 1 November 1990.

Mr Wong is a Fellow of the Chartered Association of Certified Accountants. He joined OSK Securities Berhad as an Accountant in 1982 and became an Executive Director in 1984 before assuming the present post of Executive Vice President, Corporate Trading in 1994. He holds a dealer's representative licence issued by Securities Commission under the Securities Industry Act, 1983. Prior to this, he was a Personal Assistant to a partner in Thomas and Howe, Chartered Accountants in the United Kingdom for 2 years.

Mr Wong is the brother of Mr Ong Leong Huat and Mr Wong Chong Kim. He has no conflict of interest other than those disclosed under

Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong attended three (3) out of four (4) Board meetings of the Company held during the financial year.

Independent Non-Executive
Director

DATO' MOHAMED TARMIZI BIN MOHD TAHIR,

aged 71, a Malaysian, was appointed to the Board of the Company on 21 November 1990 as an Independent Non-Executive Director. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Dato' Mohamed Tarmizi graduated from the Universiti of Malaya in Singapore with a Bachelor of Arts. Dato' Mohamed Tarmizi started his career in 1961 as an Assistant District Officer in Kuala Pilah, Negeri Sembilan for 4 years before assuming duty in the District Office in Seremban. From 1968 to 1969, he was a Training Officer at the Staff Training Centre in Petaling Jaya. Later, he became the State Development Officer of Negeri Sembilan, Melaka and Penang. He was made the first General Manager of Jengka Development Corporation. He has also served in the Treasury Department at the Ministry of Finance for 4 years as Deputy Director of Budget. In 1978,

he was transferred to Perak as the State Financial Officer before assuming the post of the General Manager of the Perak Foundation in 1984 for 9 years until his retirement.

Dato' Mohamed Tarmizi is also a Director in PJ Development Holdings.

Dato' Mohamed Tarmizi does not have any family relationship with any Director of the Company. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Mohamed Tarmizi attended three (3) out of four (4) Board meetings of the Company held during the financial year.

Independent Non-Executive Director

DR CHOONG TUCK YEW,

aged 69, a Malaysian, was appointed to the Board of the Company on 29 June 2001 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Dr Choong possesses a DComSc (Hons) and a MBA, and is a Chartered Accountant (Malaysia) as well as a Member of Certified Public Accountants. He is also a

Fellow of the CPA Australia, a Fellow of the Malaysian Association of the Institute of Chartered Secretaries and Administrators, a Fellow of the Institute of Company Secretaries Malaysia, a Fellow of the Malaysian Institute of Taxation, and a Chartered Fellow, as well as a Chartered Audit Committee Director of the Institute of Internal Auditors Malaysia.

Dr Choong was the Managing Director of Visia Finance Berhad from 1987 to 1993. Prior to his secondment to Visia Finance Berhad, he was the Chief Manager in Bank Negara Malaysia where he served for more than 25 years. Currently Dr Choong is the Deputy Chairman of C&C Investigation Services Sdn. Bhd., a licenced private investigation agency approved by the Malaysian Ministry of Home Affairs.

Dr Choong is also the Senior Independent Non-Executive Director of Poh Kong Holdings Berhad and Triumphal Associates Berhad. He is the Vice President of the Malaysian Institute of Directors and Secretary General of the Asian Professional Security Association. He has been a guest speaker at various conferences in Malaysia as well as abroad.

Dr Choong does not have any family relationship with any Director of the Company. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 41 to 43 in this Annual

Report. He has no conviction for any offences within the past ten years.

Dr Choong attended all four (4) Board meetings of the Company held during the financial year.

A professional portrait of Dato' Nik Mohamed Din Bin Datuk Nik Yusoff. He is an older man with grey hair and a mustache, wearing a dark pinstripe suit, a white shirt, and a red patterned tie. He is seated, with his hands clasped on a dark leather chair. The background is dark and out of focus.

chairman's statement

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

My fellow shareholders, since my last report to you, many of our earlier concerns have been dismissed; crude oil prices have stabilised at a lower level, global interest rates are on a dovish trend, and foreign investors are once again optimistic on investing in Malaysia.

The Ringgit is gradually gaining strength against the US Dollar and other major currencies. Furthermore, the announcement of the 9th Malaysia Plan has further boosted sentiments as the market anticipates it to help promote a stronger rate of growth. In 2006, all these factors have contributed to the buoyant equity and capital markets in the region, including Malaysia. The global economy has also proven to be more resilient than expected as all major economic blocks continue to grow. Our pessimism a year ago has now turned into optimism for the year ahead.

I am glad to inform you that your Company is progressing very well. The Company and its group of companies ("the Group") recorded a strong performance in 2006. This is due to the realisation of the efforts of the past few years, during which the management made significant efforts to diversify the Group's income base and to widen the geographical coverage of the Group's business. The expansion of the Group's products and services coupled with its strong network in 53 strategic locations across the country (including the principal office in Kuala Lumpur) as well as its presence in Singapore and Hong Kong have added to the Group's strength in providing value-added services to both our

individual and corporate clients. We are now beginning to see the results of our vision.

Financial Performance

The year 2006 has been an excellent year for the Group where it achieved commendable results for the financial year ended 31 December 2006. The Group posted record revenue of RM550 million in

"The Group's pre-tax profit improved by 127% from RM71.3 million in 2005 to RM161.6 million in 2006"

2006 as compared to RM335.9 million in 2005, representing over 63% of growth. For the financial year ended 31 December 2006, the Group's pre-tax profit improved by 127% from RM71.3 million in 2005 to RM161.6 million in 2006. The Group's profit attributed to equity holders of the Company surged to RM99.5 million in 2006, representing an improvement of 119% over the previous year's results. The Group's basic earn-

ings per share improved from 7.61 sen in 2005 to 16.35 sen in 2006.

The commendable results were attributable to strong contributions from our relatively new capital market services. Contributions from corporate-related activities such as private equity and investment banking were on an increasing trend, which represented over 50% of the Group's pre-tax profit in 2006. Private equity's pre-tax profit improved by over 2 folds, while investment banking activities' contribution to the Group's pre-tax profit rose by 93% in 2006 as compared to the previous corresponding year.

While we place more emphasis on growing the new activities, we have not neglected our conventional stockbroking and equity financing activities, which have also recorded impressive profit growth rates due to the buoyant equity market especially in the first and fourth quarters of 2006. Stockbroking and related activities accounted for 25% of the Group's pre-tax profit in 2006, while equity financing accounted for about 10%. The good results from stockbroking activities were partly due to strong contributions from the Group's overseas subsidiaries, namely OSK Asia Holdings Limited ("OSK Asia") and DMG & Partners Securities Pte Ltd ("DMG"), which collectively contributed 11%, while

Chairman's Statement

OSK Holdings Berhad

the Malaysia stockbroking activities contributed the remaining 14% of the Group's pre-tax profit.

The unit trust management business recorded a pre-tax profit growth of about 45% in 2006 as compared to the previous year. OSK-UOB Unit Trust Management Berhad's assets under management presently stand at approximately RM2.7 billion and is ranked 5th in the industry. Including third party funds, the Group manages a fund close to RM4.0 billion. Furthermore, all other business segments recorded satisfactory results in 2006, which contributed to the overall Group's results.

The strong performance from the private equity, investment banking and equities businesses shows a good mix and balance in terms of revenue and profit contributions to the Group. Also, the Group is diversified in terms of geographical presence, thus reducing reliance on one single market and country. This development augurs well for the future growth and sustainability of revenue and profit for the Group going forward.

Review of Operations

In 2006, the Group continued its effort to be more cost efficient. Among other initiatives, the Group further consolidated its position by merging the operations of several of our branches. Towards this end, eight of our branches were merged in 2006, namely Limbang, Lahad Datu, Mentakab, Tawau, Bintangor, Serian, Kota Tinggi and Pontian. This consolidation exercise will further reduce our operating costs and will enable us to reallocate and utilise our resources more effectively.

In other equity-related businesses, OSKIB successfully issued our first tranche of single equity structured warrants over ordinary shares of Bumiputra-Commerce Holdings Berhad, Magnum Corporation Berhad and Kuala Lumpur Kepong Berhad. The structured warrants,

“The Group is well positioned to grow very rapidly in the years ahead. The investment bank status will increase our visibility and market presence, not only in Malaysia but also regionally”

which were listed on the Exchange on 9 February 2007, were well received and oversubscribed by the investors.

The Group's expansion into investment banking activities continued to gain momentum in 2006. Our subsidiary in Singapore, namely DMG obtained the licence from the Monetary Authority of Singapore to provide corporate finance advisory and other investment banking services. This will enable DMG to deepen its income base through offering a wider range of financial services. Furthermore, this will provide the Group with the ability and opportunity to undertake more cross-border transactions in the region.

In Malaysia, our investment banking business achieved tremendous progress in 2006. Our debt capital markets team successfully arranged

private debt securities worth over RM1.9 billion in 2006, which improved our ranking to 5th in the MARC league tables. Although we are a relatively new player, OSK's profile in the bond market is more visible now due to our active origination and secondary bond trading activities.

The other area in which we take great pride is the private equity business. Our private equity arm, namely OSK Ventures International Berhad (“OSKVI”), made significant progress since it was listed in September 2004 and became one of the main contributors to the Group's financial performance in 2006. As at 28 February 2007, OSKVI has a total of RM391 million unrealised gain from its investments, with a fund size exceeding RM600 million. Going forward, the private equity business will continue to be one of the key business segments for the Group.

Corporate Developments

On the corporate front, our biggest development was the achievement in obtaining Bank Negara Malaysia and the Ministry of Finance's approval for the granting of a Merchant Bank Licence to OSK Investment Bank Berhad (“OSKIB”, formerly known as OSK Securities Berhad) to commence business as an investment bank. With much planning and after putting in place the necessary infrastructure, OSKIB was granted the approval on 28 December 2006 and the Merchant Bank Licence was issued on 18 January 2007. On 29 January 2007, OSKIB officially commenced business as an investment bank.

It was a momentous event for us as it marks a major milestone for the Group, as it represented the

realisation of our vision that was charted back in 1991 when OSK was floated on the Exchange. After over 15 years of hard work, determination and patience, we have successfully made that transformation, first from a stock broker into a universal broker in 2001, and now into a full-fledged investment bank in 2007.

In 2006, the Group continued with its plan to expand abroad into high growth countries. We entered into a joint venture with foreign partners to set up a financial and investment advisory company in Dubai. Also, through our Hong Kong subsidiary, we are at the advance stage of setting up our representative office in Shanghai to set our foothold in China. We expect both the operations in Dubai and Shanghai to commence in the second quarter of 2007, which will further enhance our cross border origination and distribution capabilities.

In line with the investment bank status, the Group undertook an internal restructuring exercise to streamline its business operations. The equity interest in OSK Asia and OSK Futures And Options Sdn Bhd, which were originally held directly by OSK Holdings Berhad, were transferred to OSKIB. The internal restructuring also entailed the subscription of an additional 100 million ordinary shares in OSKIB by OSK Holdings Berhad, the ultimate holding company. At present, we are in the process of merging the futures trading business into OSKIB, which we expect to complete by the second quarter of 2007.

In December 2006, OSK Holdings Berhad embarked on a private placement exercise to issue up to 25 million shares to increase Bumiputera equity participation in the Company. The 25 million

shares were subsequently issued to Koperasi Permodalan Felda Berhad ("Koperasi Felda") and on 7 March 2007, the new shares were listed on the Exchange. We are indeed proud to have Koperasi Felda as one of our shareholders and we appreciate its confidence in the Group.

Prospects for 2007

The local bourse started well in 2007 with strong investors' participation, which will be a catalyst for other capital market activities. Going forward, we are confident that the Group's growth will come both from domestic and regional markets. The recent investment bank status granted by Bank Negara Malaysia to OSKIB will further add value and strength to the Group. This transformation will generate considerable opportunities and benefits to the Group and will enable it to be more competitive in the marketplace. As a licenced investment bank, OSKIB now offers various new services, including wholesale deposits and corporate lending, among others.

The Group is well positioned to grow very rapidly in the years ahead. The investment bank status will increase our visibility and market presence, not only in Malaysia but also regionally. The additional earnings upside will come from the Group's foreign businesses, namely from our private equity investments and from our exposure to the vibrant Hong Kong and Singapore markets. Furthermore, the Group intends to offer more active cross-border investment banking services through our regional offices, and that should offer great opportunities for us in the future. The setting up

of offices in Dubai and Shanghai will soon add strength and complement the Group's activities.

Dividends

For the financial year 2006, the Company has paid an interim dividend of 5.0 sen per share less 28% income tax on 13 October 2006. The Board of Directors is recommending a final dividend of 7.5 sen per share less 27% income tax for the year ended 31 December 2006, bringing the total dividend declared for the year to 12.5 sen per share less income tax. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

Acknowledgement

The year 2006 has been a remarkable one for the Group. On behalf of the Board of Directors, I wish to extend my heartfelt appreciation to you, our shareholders as well as to our valued customers and employees, all of whom have contributed in one way or another to the Group's achievements. I cannot express deeply enough my personal thanks to each of our employees for being an integral part of our journey to achieve greater success. I strongly believe that our continued commitment and hard work will take us further in the coming years. I look forward to working with all of you as we continue to build OSK into an even stronger and better organisation in the future.

**Dato' Nik Mohamed Din
bin Datuk Nik Yusoff**
Executive Chairman

2006 Economic Review

OSK Holdings Berhad

The Malaysian economy expanded at a faster pace in 2006. Economic growth gained momentum to 5.9%, buoyed mainly by the strengthening of the manufacturing sector in tandem with the recovery in the global semiconductor industry. Growth was also further reinforced by the robust performance of the agriculture sector, benefiting from the strong global demand for commodities, particularly for commercial crops such as palm oil, timber and rubber. Growth in the services sector was sustained in 2006 supported by continued expansion in domestic demand and trade-related industries.

GDP by Sector and Component (1987 prices)

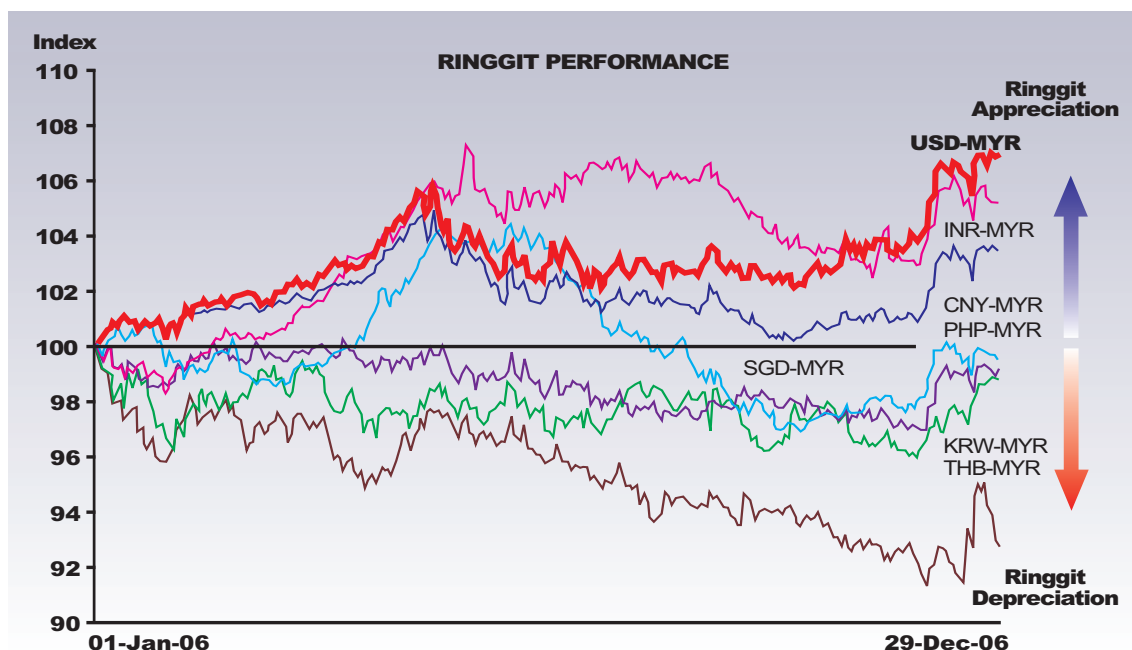
	2004	2005	2006
GDP	7.2	5.2	5.9
Agriculture	5.0	2.5	6.4
Mining	3.9	0.8	-0.2
Construction	-1.5	-1.6	0.5
Manufacturing	9.8	5.1	7.0
Services	7.0	6.5	6.5
Private Consumption	10.5	9.2	7.0
Public Consumption	6.2	5.4	7.9
Gross Fixed Capital Formation	3.1	4.7	7.9
Exports of Goods & Services	16.3	8.6	6.3
Imports of Goods & Services	20.7	8.0	7.2

Source: Department of Statistics Malaysia

On the expenditure side, all demand components continued to expand in 2006. Public sector spending increased further, buoyed by higher development expenditure by the Federal Government. Private sector expenditure, however, grew at a more moderate pace led mainly by slower growth in consumer spending affected by rising cost of living and higher interest rates.

Fundamentals of the Malaysian economy have remained solid amid stronger economic growth. Of significance, inflation, caused mainly by the adjustments in administered prices, has trended downwards from its peak of 4.8% in March. Meanwhile, the employment situation remained healthy, with the unemployment rate remaining low at 3.5% with job creation outpacing retrenchment. On the external front, the balance of payments continued to remain favourable. Trade surplus remained sizeable in excess of RM100 billion, further lifting the reserves level to RM290.4 billion as at end-2006.

On the exchange rate front, the performance of the Ringgit continued to be encouraging throughout 2006 after the removal of the peg in July 2005. Reflecting partly the weakening of the US dollar, the Ringgit has strengthened against the greenback, appreciating by 7% during the year. Meanwhile, performance of the Ringgit was mixed against regional currencies. In 2006, the Ringgit strengthened against the Japanese Yen, Taiwan dollar and Indonesia Rupiah but weakened against the Thai Baht, Euro, and to some extent, the Singapore dollar.



Monetary conditions were tightened further, particularly in 1H 2006 in response to rising inflationary pressures. The Overnight Policy Rate was raised by another 50 basis points to 3.5%. Despite the rise in interest rates, monetary conditions in 2006 remained expansionary and supportive of growth.

ECONOMIC OUTLOOK

Malaysia enters 2007 with improved fundamentals and stronger growth momentum. On the external front, the moderation in global growth is expected to be modest, with the IMF still projecting a robust expansion of 5% in 2007 (2006: 5.1%). After hitting a high of US\$78 per barrel in July 2006, crude oil prices have eased to a level of around US\$50–60 per barrel, alleviating the pressure of global inflation and aiding the recovery in consumer confidence. Despite the series of rate hike campaigns led by the US since mid-2004, global monetary conditions remain relatively loose. The accommodative monetary policy will serve as a cushion in the event of any adverse development that could potentially derail global growth.

The rapid economic growth in emerging countries will continue to support global economic expansion. The IMF forecasts that emerging Asia will still be the fastest growing region in the world, with growth in China sustaining at a high level of 10% in 2007. This trend is favourable for intra-regional trade and shall help the region to withstand any moderation arising mainly from the slowdown in the US economy.

Given the positive global environment reinforced by improved fundamentals, the Malaysian economy is expected to sustain its growth momentum in 2007. With the full implementation of the 9th Malaysia Plan coupled with Visit Malaysia Year 2007, real GDP growth is expected to improve further to 6.2%. The diversified structure of the economy, particularly the exposure on the agriculture and mining sectors, will help to withstand any external moderation.

Inflation is expected to continue trending downwards in 2007. With the recent easing of the crude oil prices to around US\$60 per barrel, there is little likelihood of the Government raising the retail prices of petrol products in 2007. The CPI growth is expected to ease further to 2.5% in 2007. Given that GDP growth is likely to evolve stronger amid easing inflationary pressure, BNM is expected to maintain the current level of Overnight Policy Rate at 3.5% until end-2007.

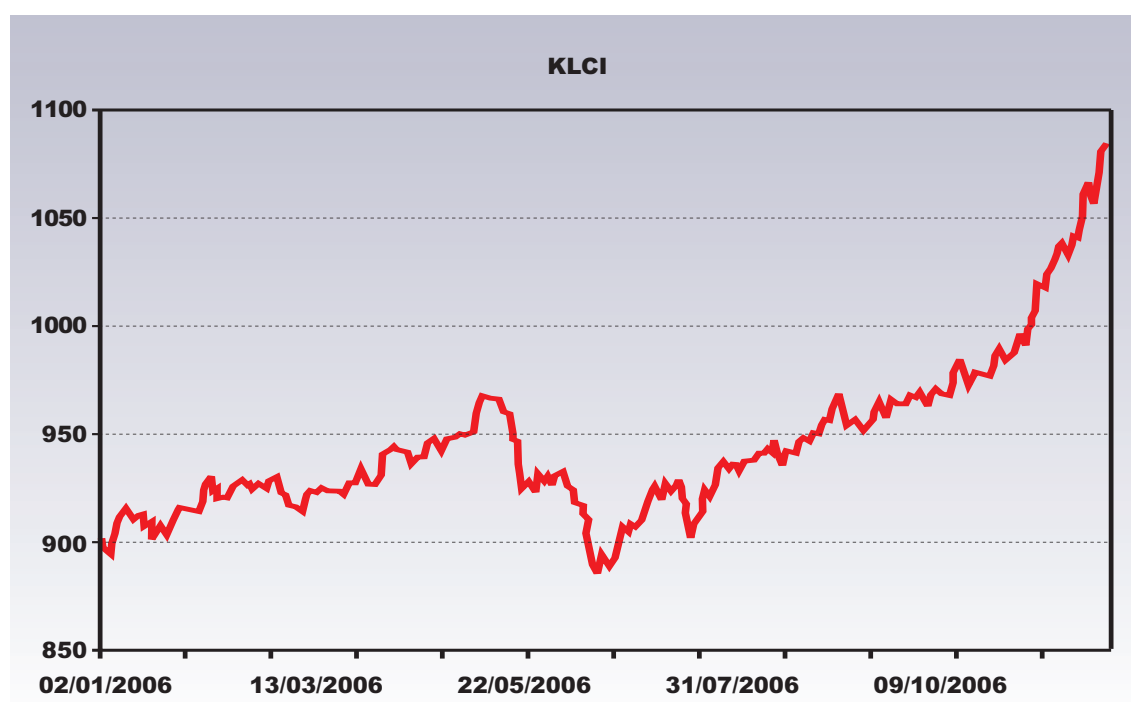
On the fiscal front, the implementation of 9th Malaysia Plan and the higher-than-expected allocation of development expenditure under the 2007 Budget will further provide stimulus to the growth potential of the economy. Fiscal policy continues to focus on building a prosperous, progressive, resilient and competitive nation. Strategic measures have been undertaken to enhance the contribution from the agriculture and resource-based industries. The Third Industrial Master Plan was also unveiled to further develop the manufacturing sector by strengthening industrial linkages, increasing value-added activities and enhancing productivity.

2006 Stock Market Review

OSK Holdings Berhad

The market started 2006 on a stronger footing, aided by positive corporate developments and expectations of a further appreciation of the Ringgit. The KLCI rose quickly to a high of 931 in February 6 before seeing some of its gains pared after Bank Negara raised the Overnight Policy Rate (OPR) by 25 basis points to 3.5% on February 22, followed by the 19% hike in fuel prices on February 28. While sentiment was persistently capped by inflationary concerns, the KLCI still managed to eke a respectable gain of 3% q-o-q in 1Q06.

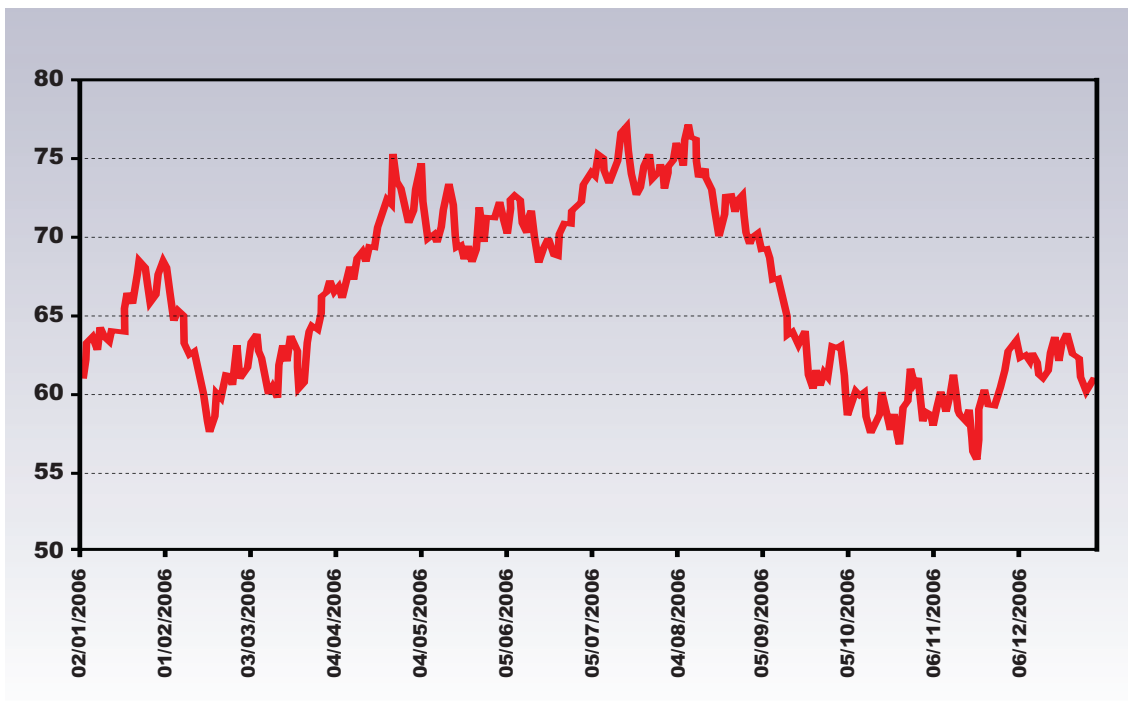
KLCI Performance in 2006



Source : Bloomberg

The KLCI rallied in early April following the tabling of the 9th Malaysia Plan (9MP) by the Prime Minister on March 31. However, it was the noticeable strength in the Ringgit that pushed the index to a record high of 970.46 on May 9 after hot money flowed into the market. The tension over Iran's nuclear program saw crude oil prices hitting US\$70 per barrel in mid-April again but this was only a momentary blip as investors shifted their focus on Malaysia's strong economic fundamentals. That said, it was the renewed concerns on global interest rates and inflation that spooked regional markets in May resulting in the KLCI reversing all gains chalked in 2Q 2006, plunging to a new low of 883.29 on June 15. Local sentiment was further weighed-down by a slew of clampdowns by authorities on speculative counters and the uninspiring 1Q 2006 corporate earnings season.

Crude Oil Price Trend in 2006 (US\$ per barrel)



Source : Bloomberg

Sentiment turned for the better in 3Q 2006, aided by the better-than-expected 2Q 2006 GDP growth of 5.9% and the rally on palm oil prices although gains were limited to index-linked stocks and blue chips. The market also received additional boosters in the form of Bank Negara's decision to keep the OPR steady as well as the U.S Federal Open Market Committee's decision to stay put on interest rates at its August and September meetings. Coupled with the 1% corporate tax cut under Budget 2007 announced on Sept 1, the KLCI rose gradually to a high of 968.22 on Sept 4. The index closed the 3Q 2006 at 967.55, some 6% gain q-o-q.

The KLCI continued on its ascend for much of the 4Q 2006, hitting a high of 1101.7 on Dec 11, backed by expectations of better corporate performance from softening crude oil prices, which dipped to a low of US\$56 per barrel in November 17, and the continued strength of the Ringgit, which surged to a new high of RM3.53 on December 12. Sentiment was further lifted by window-dressing activities among local institutional funds and M&A newsflows such as that of Synergy Drive and ANZ's acquisition of AMMB. Nevertheless, the upside was rudely interrupted when Thailand imposed capital controls on December 18 resulting in panic selling across regional markets. The kneejerk reaction caused the KLCI to plunge some 2% on December 19 although it quickly regained its composure after Thailand authorities reversed the policy pronouncement following widespread criticisms. All in, 4Q 2006 proved to be the best performing quarter for the KLCI in 2006, with a 13.3% sequential gain.

The KLCI closed the final day of trading on December 29 at 1096.24, visibly higher than the level it started at the beginning of the year and the close of 899.79 on December 30, 2005 translating into a impressive calendar year return of 21.8%. The Second Board and MESDAQ indices posted gains of 14.4% and 37.7% respectively over the same period.

2006 Stock Market Review

OSK Holdings Berhad

Bursa Malaysia Sectoral Performance 2006

	Dec 29 2006	Dec 30 2005	Chg
KLCI	1,096.24	899.79	21.8%
KL Second Board	92.03	80.44	14.4%
MESDAQ	119.92	87.09	37.7%
Construction	200.02	127.00	57.5%
Technology	28.28	26.81	5.5%
Property	693.49	524.64	32.2%
Finance	8,656.12	7,204.35	20.2%
Consumer	269.46	220.66	22.1%
Mining	611.99	314.98	94.3%
Syariah	157.36	127.12	23.8%
Plantation	4,315.91	2,798.71	54.2%
Industrial Product	2,225.47	2,040.95	9.0%
Services	151.74	129.67	17.0%

Source : Bloomberg

Regional Index Performance

	Dec 29 2006	Dec 30 2005	Chg (2006)	Chg (2005)
KLCI	1,096.24	899.79	21.8%	-0.8%
Singapore STI	2,985.83	2,347.34	27.2%	13.1%
Hang Seng	1,9964.72	14,876.43	34.2%	4.5%
TWSE	7,823.72	6,548.34	19.5%	6.7%
KOSPI	1,434.46	1,379.37	3.9%	53.9%
NIKKEI	17,225.83	16,111.43	6.9%	40.2%
JCI	1,805.523	1,162.635	55.3%	16.2%
SET	679.84	713.73	-4.7%	6.8%
PCOMP	2,982.54	2,096.04	42.2%	14.9%
SHANGHAI	130.12	62.02	109.8%	-18.0%

Source : Bloomberg

2007 STOCK MARKET OUTLOOK

2007 is poised to be a bright year for the KLCI with a confluence of catalysts in place to ignite a sharper re-rating. Malaysia's economic fundamentals remain firm with GDP projected to grow at 6.2% y-o-y, underpinned by the first broad-based positive growth since 2003. The strong fundamentals should translate into a visibly stronger Ringgit which is expected to strengthen to RM3.35/US\$1 by end-2007.

The 9th Malaysia Plan (9MP) will remain the key engine of growth for the construction sector with its multiplier effects cascading into other sub-sectors such as building materials, steel and property. Corporate merger and acquisition activities should continue to hog the limelight with the continuing fight for efficiency within the banking sector ahead of financial sector liberalisation in 2008. Another key theme that should lift sentiment on the market is the positive execution of the government-linked companies (GLC) transformation programme which has now entered its 3rd anniversary. The services sector will also be a strong beneficiary of stronger tourist arrivals from Visit Malaysia Year 2007. Based on historical precedence, the market should perform commendably leading up to the general election which is slated to be held by 1Q 2008.

In terms of valuation, the KLCI appears attractive at 17x 2007 earnings (discount to its historical average of 15.5x post crisis years) supported by earnings growth of 18.5% (OSK universe). It is important to note that when Malaysia's Market Cap/GDP is benchmarked against regional comparables, the KLCI is still ranked last and some 50% below its peak valuation in 2003. Expectations are for the market to trend between 1200-1600 by end-2007 with the upside catalyst coming from the inflow of foreign funds.

Statement of Corporate Governance

OSK Holdings Berhad

The Board of Directors of OSK Holdings Berhad ("the Company") is supportive of the adoption of principles and best practices as enshrined in the Malaysian Code on Corporate Governance throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of the stakeholders' value.

With this in mind, measures and efforts have and shall be taken to ensure as far as practicable the adoption and implementation of the Code's Best Practices and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board's principal responsibilities are to chart the strategic direction, development and control of the Company's business, and to monitor whether the business is being managed properly.

In accordance with the requirement of the Code, the Chairman and Chief Executive Officer/Managing Director of the Company are different persons with distinct and separately defined responsibilities.

COMPOSITION OF THE BOARD

The Board consists of seven (7) Directors, three (3) of whom are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director.

The Independent Non-Executive Directors fulfill their roles through objective participation in the deliberations of the Board and by the exercise of independent judgement with regard to the long-term interest of the stakeholders of the Company.

The Board has extensive experience and expertise in the capital market industry as well as in areas of finance, accounting, economics and law. The profile of the Board is set out in the Directors' Profile appearing on Pages 16 to 19 of the Annual Report.

BOARD MEETINGS

During the financial year under review, four (4) board meetings were held. Details of the Directors' attendance at these meetings are as follows:

Directors	Total No of Meetings	Meetings Attended
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	4	4
2. Ong Leong Huat @ Wong Joo Hwa	4	4
3. Dato' Nik Mohamed bin Nik Yahya (Resigned on 29 January 2007)	4	4
4. Wong Chong Kim	4	4
5. Wong Chong Che	4	3
6. Dato' Mohamed Tarmizi bin Mohd Tahir	4	3
7. Dr Choong Tuck Yew	4	4
8. Dr Ngo Get Ping (Appointed on 16 January 2007)	-	-

SUPPLY OF INFORMATION

Directors are provided with notices and board papers prior to board meetings to give them sufficient time to deliberate on issues to be raised at the meetings.

The Board has access to all information within the Group and also to the advice or services of the Company Secretary and Senior Management in carrying out their duties. The Directors may obtain independent professional advice in the event such services are required for them to carry out their duties.

Statement of Corporate Governance

OSK Holdings Berhad

APPOINTMENT OF DIRECTORS

The Company has put in place procedures for the nomination and election of Directors. The appointment of Directors takes into account the level of professional experience and mix of skills that make up the Board.

The Nomination Committee, comprising Independent Non-Executive Directors, recommends all appointments to the Board. Details of the Nomination Committee are set out on Page 34 of the Annual Report.

REMUNERATION OF DIRECTORS

The remuneration of Directors should commensurate with the level of professional experience, responsibilities and contribution to growth and profitability of the Company.

The Remuneration Committee, comprising a majority of Independent Non-Executive Directors, recommends the remuneration of Executive Directors to the Board. The Chairman of this Committee is an Independent Non-Executive Director. The Executive Director(s) do not participate in the decision on their own remuneration.

The remuneration package for Non-Executive Directors is determined by the Board as a whole. Non-Executive Directors also abstain from discussions on their own remuneration.

The Directors' fees are approved by the shareholders at the Annual General Meeting.

Details of the remuneration for the Directors of the Company for the financial year are as follows:

	Executive RM	Non- Executive RM	Total RM
Company			
2006			
Fee - Provision for the year	120,000	95,000	215,000
- Underprovision in prior year	52,000	39,000	91,000
	172,000	134,000	306,000
Group			
2006			
Fee - Provision for the year	368,000	113,000	481,000
- Underprovision in prior year	160,000	39,000	199,000
	528,000	152,000	680,000
Fair value of ESOS shares	393,750	10,525	404,275
Other emoluments	10,776,488	-	10,776,488
	11,698,238	162,525	11,860,763
Benefits-in-kind	125,450	-	125,450

Statement of Corporate Governance

OSK Holdings Berhad

The number of Directors of the Company whose total remuneration fall within the following bands:

	Executive	Non-Executive	Total
2006			
Group			
RM50,000 and below	-	1	1
RM50,001 - RM100,000	-	2	2
RM300,001 - RM350,000	1	-	1
RM450,001 - RM500,000	1	-	1
RM2,750,001 - RM2,800,000	1	-	1
RM8,100,001 - RM8,150,000	1	-	1
	<hr/>	<hr/>	<hr/>
	4	3	7
	<hr/>	<hr/>	<hr/>

CONTINUING EDUCATION OF DIRECTORS

The Directors of the Company have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities for directors of public listed companies and completed the Continuing Education Programme within the timeframe stipulated by Bursa Securities. The Directors will also attend trainings endorsed by Bursa Securities to keep abreast with developments in the capital markets.

RE-ELECTION OF DIRECTORS

An election of Directors takes place each year. One-third of the Directors will retire from office at each Annual General Meeting and are eligible to offer themselves for re-election. The Directors appointed by the Board in each financial year are subject to election by the shareholders at the next Annual General Meeting following their appointments.

Directors standing for re-election at the Seventeenth Annual General Meeting of the Company to be held on 19 April 2007 are detailed in the Notice of the Seventeenth Annual General Meeting.

INVESTOR RELATIONS

The Board has always recognised the importance of accurate and timely dissemination of information to its shareholders and potential investors. As such, the maintenance of an effective communication policy between members of the public and the Company is important.

Several channels are used to disseminate information on a timely basis to the investing public:

- The Annual General Meeting is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.
- Quarterly announcements and corporate disclosure to Bursa Securities are available on the website www.bursamalaysia.com.
- Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches.
- The Company's website www.osk.com.my provides corporate information on the Group.
- The Group Corporate Communications Department addresses inquiries from shareholders, investors and the public relating to Company matters.

Statement of Corporate Governance

OSK Holdings Berhad

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's financial positions and prospects to shareholders, investment community and regulatory authorities.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on Page 55 of the Annual Report.

Internal Control

The Board acknowledges its responsibilities of setting up and maintaining an effective system in ensuring a proper risk management environment. With this, the Board has ensured that the system of internal control takes into account the process of identifying key risks, likelihood of occurrence and materiality. The Board has also considered the adequacy of internal controls to address these risks.

The Board recognises that risks cannot be eliminated completely. However, with the implementation of a proper system of internal control, the Directors and senior management of the Group aim to provide reasonable assurance against material misstatements, losses and fraud.

In order to ensure that the system of internal control remains effective and efficient, the Group Internal Audit Department ("GIA"), which is independent from the operating departments, performs regular reviews and examinations of the Company's activities in accordance to compliance and risk management requirements. The GIA reports directly to the Audit Committee ("AC") of which majority of the members are Independent Directors.

The Group Compliance and Risk Management departments review, on a regular basis, the effectiveness of risk policies and compliance to regulatory requirements.

Relationship with Auditors

The Board has established formal and transparent relationships with both the internal and external auditors through the AC. The AC meets with the internal and external auditors to discuss the audit plan, audit findings and the Group's financial statements.

The AC takes responsibility to ensure that adequate resources are allocated and provided to the internal auditors to carry out their duties according to the annual audit plan. The details of audit/non-audit fees paid/payable to the external auditors are set out below:

	Group RM	Company RM
2006		
Audit fees paid to external auditors	674,839	30,000
Non-audit fees paid to external auditors	14,000	3,000

SANCTIONS AND/OR PENALTIES IMPOSED

During the financial year, no material sanctions and/or penalties were imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed in Additional Disclosure on Pages 41 to 46 of this Annual Report, there are no other material contracts involving directors and substantial shareholders still subsisting at the end of the financial year or entered into since the end of the previous financial year.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee have been established to assist the Board in discharging its duties.

Audit Committee

The particulars of the Audit Committee are at Pages 35 to 37 of the Annual Report.

Remuneration Committee

Composition

- | | | |
|----------|---|--|
| Chairman | - | Dr Choong Tuck Yew (Independent Non-Executive Director) |
| Members | - | Ong Leong Huat @ Wong Joo Hwa (Group Managing Director/CEO)
Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director) |

Authority

The Committee is granted the authority to recommend to the Board the remuneration package of Executive Directors.

Terms of reference

- To review the existing level of remuneration of Executive Directors to ensure it is compatible with corporate and individual performance.
- To recommend to the Board the remuneration of Executive Directors which is structured to link rewards to corporate and individual performance. Executive Directors should not participate in decisions on their own remuneration.
- To review and recommend to the Board the remuneration of Non-Executive Director to ensure it reflects the level of experience and responsibilities of Directors. The determination of remuneration packages shall be determined by the Board as a whole. The Director(s) concerned shall abstain from discussion of their own remuneration.
- The Company shall establish a formal and transparent procedure on Executive Directors' remuneration and to determine the remuneration packages of individual Directors.

Statement of Corporate Governance

OSK Holdings Berhad

Frequency of Meeting

The Committee is to meet at least once a year.

There was one (1) meeting held in this financial year. The Directors' attendance at the meeting is as follows:

Directors	Meetings Attended
1. Dr Choong Tuck Yew	1
2. Ong Leong Huat @ Wong Joo Hwa	1
3. Dato' Mohamed Tarmizi bin Mohd Tahir	1

Nomination Committee

Composition

Chairman	-	Dr Choong Tuck Yew (Independent Non-Executive Director)
Member	-	Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director)

Authority

The Committee is granted the authority to propose new nominee(s) for the Board and to assess the performance of the Directors on an ongoing basis. It is obliged to report its recommendations to the full Board for its consideration and implementation. The actual decision as who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

Terms of Reference

- To recommend to the Board, the candidates for directorships to be filled by the shareholders or the Board.
- To consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive(s) or any Director(s) or shareholder.
- To recommend to the Board, the Director(s) to fill the seat(s) on Board Committees.
- To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.

Frequency of Meeting

The Committee is to meet at least once a year.

There was no meeting held in this financial year.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2006.

MEMBERSHIP

The Committee shall be appointed by the Board from among the Directors of the Company, a majority of whom must be independent. At least one member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
 - he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
- fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

The members of the Committee shall elect the Chairman from among their number who shall be independent director. No alternate director is to be appointed as a member of the Committee. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years. In the event of any vacancy in an Audit Committee resulting in the non-compliance of the Listing Requirement, the vacancy must be filled within 3 months.

The Audit Committee consists of the following members:

Name	Designation
Dr Choong Tuck Yew (Independent Non-Executive Director)	Chairman
Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director)	Member
Wong Chong Kim (Executive Director)	Member

TERMS OF REFERENCE

• *Duties and Functions*

- a) Review and report to the Board of Directors;
 - with the external auditor, the audit plan;
 - with the external auditor, his evaluation of the system of internal controls;
 - with the external auditor, his audit report;
 - the assistance given by the employees of the listed issuer to the external auditor;
 - the adequacy of the scope, functions and resources of Internal Audit Department and that it has the necessary authority to carry out its work;
 - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit;

Audit Committee Report

OSK Holdings Berhad

- the quarterly results and year-end financial statements, prior to the approval by the Board of Director, focusing particularly on:
 - changes in or implementation of accounting policies and practices;
 - the going concern assumption;
 - significant adjustments arising from the audit;
 - major judgmental issues;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - external auditor's management letter and management's response;
- b) To consider the major findings of internal investigations by internal and external auditors and management's response;
- c) To discuss problems and reservations arising from the interim and final audit and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- d) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- e) To recommend the nomination of a person or persons as external auditors;
- f) To consider any other functions or duties as may be agreed to by the Committee and the Board.

• **Authority**

The Audit Committee shall:

1. have the authority to investigate any activity of the Company and its subsidiaries within its terms of reference, and all employees are directed to cooperate as requested by members of the audit committee;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company within its terms of reference;
4. have direct communication channels with the external auditors and persons performing the internal audit function or activity;
5. be able to obtain independent professional or other advice within its terms of reference; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2006, the Audit Committee held a total of 4 meetings. The details of attendance of the Committee members are as follows:

Name of Audit Committee Member	No of meetings attended
Dr Choong Tuck Yew	4 / 4
Dato' Mohamed Tarmizi bin Mohd Tahir	4 / 4
Wong Chong Kim	4 / 4

The quorum of meetings of the Committee shall be two (2) members and the majority of members present must be Independent Directors. Head of Group Internal Audit, Head of Group Finance and Accounts, Head Of Group Compliance and the representatives of the external auditors, are invited to attend the Committee meetings. The Company Secretary shall be the Secretary to the Audit Committee.

SUMMARY OF ACTIVITIES

During the year under review, the following were the activities of the Audit Committee:

1. Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval;
2. Reviewed and discussed the observations, recommendations and the Management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls;
3. Reviewed the staffing requirements of the Internal Audit Department to ensure that the Internal Audit Department is adequately staffed by employees with the relevant skills, knowledge and experience to enable the Internal Audit Department to perform its role including the provision of training;
4. Reviewed the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
5. Reviewed the performance of the staff of the internal audit, approved any appointment or termination of senior staff;
6. Reviewed and discussed the internal audit reports. The Committee was briefed by the Head of Group Internal Audit that in a few instances, the audit process identified certain control and operational weaknesses which were brought to the attention of the management, and that adequate corrective actions had been taken to rectify the weaknesses;
7. Reviewed the quarterly and year end financial statements and ensure that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on;
 - 7.1 changes in or implementation of major accounting policies and practices;
 - 7.2 the going concern assumption;
 - 7.3 significant adjustments arising from the audit;
 - 7.4 major judgemental issues;
 - 7.5 significant and unusual events; and
 - 7.6 compliance with accounting standards and other legal requirements.
8. Reviewed the related party transactions and conflict of interest situation that may arise within the company or group including any transactions, procedures or course of conduct that raises questions of management integrity;
9. Reviewed and verified the allocation of Employee Share Option Scheme as per Listing Requirement.

INTERNAL AUDIT FUNCTION

The Board recognised the importance of the internal audit function and the independent status required for it to carry out the job effectively. Therefore, in order to establish an effective system of internal control, a Group Internal Audit Department (GIA) has been established by the Board since 1994. In 1999, the Board also set up the IT Audit after considering the advancement of IT technology applicable to the finance industry. It is the duty of the Audit Committee (AC) and the Board to ensure that sufficient staff has been allocated to this department. The GIA has introduced risk based auditing approach with risk focused audit programme in order to ensure that the principal risks are being identified and mapped with the existing system of internal control. The GIA carries out its duties according to the Annual Audit Plan, and areas of concern which need further improvement as highlighted in the audit report are discussed in the AC meetings. The Board has via the AC evaluated the effectiveness of the GIA by reviewing the results of its work in the AC meetings.

STATEMENT OF COMPLIANCE OF EMPLOYEE SHARE OPTION SCHEME (ESOS) ALLOCATION

The Audit Committee confirms that the criteria of allocation of the ESOS has been verified by the Audit Committee via Group Internal Audit and hereby confirms that the allocation of the ESOS was in compliance with the criteria disclosed by the Company to its employees.

Statement of Internal Control

OSK Holdings Berhad

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Revamped Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The Bursa Securities' Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is the Board's Statement On Internal Control, which has been prepared in accordance with the Guidance.

RESPONSIBILITY

The Board recognises the importance of a sound system of internal controls for good corporate governance and acknowledges its primary responsibility to ensure that principal risks in the Group are identified, measured and managed with appropriate system of internal controls, and to ensure that the effectiveness, adequacy and integrity of the internal control systems are reviewed on an ongoing basis. The Board also acknowledges that a sound system of internal controls reduces, but cannot eliminate, the possibility of poor judgement in decision making; human error; breakdown in internal control due to collusion; control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Group will not be hindered from achieving its business objectives.

TYPES OF RISKS

The principal activities of the Group are stockbroking, fixed income and debt capital market, corporate finance, property development, venture capital, unit trust, futures trading and capital financing. There have been no significant changes in the nature of these activities during the year. On 18 January 2007, one of the key subsidiaries of the Group, namely OSK Investment Bank Berhad (formerly known as OSK Securities Berhad), was granted a Merchant Bank Licence to carry on merchant banking business in Malaysia by the Minister of Finance II. Moving forward, the Group's principal activities will include merchant banking and the provision of related financial services.

The risk exposure faced by the Group during the financial year can be broadly categorised into market, credit and operational risks as follows:

- | | |
|-------------------------|---|
| Market Risk | - Market risk is the risk of potential losses due to unfavourable changes in the market value of financial or non-financial assets held by the Group. Market risk normally arises from equities, fixed-income, commodities, property market and foreign exchange. The Group is exposed to market risks from market-making activities, proprietary position-taking, state of property prices and construction costs and investments activities of local and overseas subsidiaries. |
| Credit Risk | - Credit risk is the risk of economic loss due to the failure of counterparty to fulfill its obligations under a contractual agreement with the Group. The credit risk of the Group includes settlement risk, margin financing default risk, concentration credit risk and credit assessment risk. |
| Operational Risk | - Operational risk is the risk of opportunity cost or economic loss due to inadequate procedures and policies, system failure, human error, lack of basic internal control, liquidity problem, non-compliance with the regulatory requirements, management failure, unauthorised activities and fraud in trading. |

RISK MANAGEMENT

The Board confirms that an ongoing process for identifying, measuring and managing the Group's principal risks has operated throughout the year under review. This process is carried out via the following risk management governance structure:-

- The Board - is fully responsible for the risk management of the Group and has carried out its duties via having regular Board meetings to review and approve business strategies, risk management policies and business performance of the Group.
- The Committees - whose key function is to review the adequacy and effectiveness of risk management, internal control and governance systems of the Group. The Audit Committee whose main role is to review, on behalf of the Board, the key risks inherent in the business and the system of internal control necessary to manage such risks, and to present its findings to the Board. The Audit Committee is supported by the Group Internal Audit department in carrying its roles and responsibilities. In addition, the Risk Management Committee of OSK Investment Bank Berhad plays a significant role in contributing to the establishment of a more conducive risk management environment. New products introduced during the year are evaluated via New Products Committee with a view to ensure that principal risks are being identified, measured and managed with an adequate system of control.
- The Middle Office Management - whose key function is to ensure implementation and compliance of the Group's operational policies and procedures as well as regulatory requirements. Group Internal Audit which reports directly to the Audit Committee, evaluates the adequacy and effectiveness of the Group's risk management and internal control system. To ensure that risks are managed effectively, Risk Based Auditing approach which begins with risk identification, risk evaluation and mapping of controls has been introduced and implemented. In addition, the Risk Management department of OSK Investment Bank Berhad develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposures are being measured and monitored. The Group Compliance Department established in certain key subsidiaries and operating under the regulated environment plays a vital role in ensuring compliance with the relevant rules and regulations.
- The Back Office Management - also plays an important role in ensuring that the above risk management process is being carried out on an ongoing basis. These include the Credit Control Department in key subsidiaries which is primarily responsible for managing credit risk related activities and the Operations Department in key subsidiaries which is primarily in charge of managing settlement risk. The Project Department established in the property development company is primarily in charge of managing operational risks which may arise from budgeting, tendering, monitoring of construction works, timely delivery of completed units to purchasers etc. The supervision of funding and liquidity risk activities are performed by the Group Finance and Accounts Department.
- The Front Office Management - risk origination divisions such as corporate finance, treasury, fixed income and dealing division operate their daily activities within the policy, procedures and limits set up by the management.

Statement of Internal Control

OSK Holdings Berhad

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system, that are regularly reviewed by the Board and are in accordance with the Guidance, are described below:-

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance to the Group;
- Recruitment of adequate experienced, skilled and professional staff with the necessary caliber to fulfill the respective responsibilities and ensuring that minimum controls are in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, which is delegated as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report back to the Board with their recommendations;
- Documented policies, procedures, limits of Approving Authorities (AA) for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. Such AA list is subject to periodic review either via Policy Review Committee or as and when there are changes due to specific circumstances;
- Establishment of specific structure limits for managing market, credit and operational risks such as single security, single client, single product, proprietary position, individual trader, business unit and stop loss limit etc. Procedures for authorising limit excesses are established and serious breaches are reported to the supervisory board. These limits are also being reviewed and revised regularly;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery backup plan to ensure business continuity has been established in the key business activities. There are also offline procedures for branches to implement in case of system failure at branches. These disaster recovery plans are tested from time to time and enhanced whenever required;
- Regular and comprehensive management reports to the Board from various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget; and
- Group Internal Audit independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee on a quarterly basis. The Group Internal Audit provides assurance over the operation and validity of the system of internal control in relation to the level of risk involved using Risk Based Auditing methodology.

The Board believes that the system of internal control in the Group is adequate and has been effective in its function, with no significant weakness noted during the period under review.

Moving forward, the Group will continue to improve and enhance the existing system of internal control, taking into consideration the changing business environment.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Details of the Group's recurrent related party transactions made during the financial year ended 31 December 2006 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 6 April 2006 are as follows :

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with OSK - Interested Directors (ID), Major Shareholders (MS) and Persons Connected (PC)	Actual Value 31 December 2006 (RM)
OSK Group	Provision of legal services by Cheang & Ariff	Cheang & Ariff	LTB (ID) (See Note 1)	300,211
OSK Group	Annual fee, hosting fee, quarterly online trading user access fee, website development and constant management fee	Finexasia	OLH (ID/MS), DKK (ID), (See Note 2)	4,612,441
OSKPH Group	Construction works/ buildings materials for project development & office renovation and maintenance by the PJD Group	PJD Group	OLH (ID/MS), WCK (ID), WAC (PC), WCS (PC), KCM (PC) (See Note 3)	15,665,806
OSKPH Group	Construction works/ buildings materials for project development & office renovation and maintenance by DCSB	DCSB	OLH (ID/MS), WCK (ID), WAC (PC), WCS (PC), KCM (PC) (See Note 4)	21,885,417
OSKIB	Rental of office space by OSK-UOB	OSK-UOB	OLH (ID/MS) (See Note 5)	139,002
OSKIB	Rental of office space by OSKS	OSKPSB	OLH (ID/MS), WCK (ID) (See Note 6)	306,185
KHB	Rental of office space by the PJD Group	PJD Group	OLH (ID/MS), WCK (ID), WAC (PC), WCS (PC), KCM (PC) (See Note 7)	1,160,446
KHB	Rental of office and parking space by OSK-UOB	OSK-UOB	OLH (ID/MS) (See Note 5)	532,703
KHB	Rental of office space and parking space by Finexasia	Finexasia	(See Note 2)	26,048
KHB	Rental of parking space by Stock 188	Stock 188	(See Note 2)	1,914

Additional Disclosure

OSK Holdings Berhad

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with OSK - Interested Directors (ID), Major Shareholders (MS) and Persons Connected (PC)	Actual Value 31 December 2006 (RM)
KHB	Rental of office and parking space by OSKVE	OSKVE	OLH (ID/MS) (See Note 8)	117,242
OSK Group	Accommodation in hotels owned by PJD Group	PJD Group	OLH (ID/MS), WCK (ID), WCC (ID), DT (ID), WAC (PC), WCS (PC), KCM (PC) (See Note 9)	319,289
OSK Group	Procurement of insurance policies by OSK Group	DCSB Group	(See Note 4)	1,260,949
OSKPH	Trustees' fee in relation to to BalDS issued by OSKPH	OSKT	OLH (ID/MS), WCK (ID) (See Note 10)	25,000
OSKIB	Agency fee in relation to OSKPH's BalDS	OSKPH	OLH (ID/MS) (See Note 11)	50,000
OSKVI Group	Brokerages fees paid by OSKVI Group	OSKIB	OLH (ID) (See Note 12)	95,304
OSKIB	Institutional unit trust agent commission payable by OSK-UOB	OSK-UOB	(See Note 13)	720,598
KHB	Rental of office space and parking space by OSKPSB	OSKPSB	(See Note 14)	84,623

Notes:

- (1) Cheang & Ariff is a legal firm providing legal services to the OSK Group. Mr Loy Tuan Bee (LTB) is a partner of the legal firm and he is also a former director of OSK Investmet Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB"). OSKIB is a wholly owned subsidiary of OSK Holdings Berhad ("OSK").
- (2) Finexasia.com Sdn Bhd ("Finexasia") is a 71.42% owned subsidiary of OSK Group while Stock 188.com Sdn Bhd ("Stock188") is the wholly-owned subsidiary of Finexasia. KE-ZAN Holdings Berhad ("KHB") is a wholly-owned subsidiary of OSK. Mr Diong King Kuang (DKK) is the director of Finexasia and Stock188. As at 28 February 2007, DKK holds 0.036% shareholding in OSK. Mr Ong Leong Huat @ Wong Joo Hwa (OLH) is the director and major shareholder of OSK.
- (3) OLH and Mr Wong Chong Kim (WCK), directors of OSK Property Holdings Berhad ("OSKPH"), are the brothers of Mr Wong Ah Chiew (WAC) and Mr Wong Chong Shee (WCS), who in turn are directors of PJ Development Holding Berhad ("PJD"). Madam Khor Chai Moi (KCM), a director and major shareholder of PJD, is the wife of OLH. As at 28 February 2007, WCK held a 0.45% shareholding in PJD. OLH does not hold any share in PJD. The shareholdings of the interested directors, OLH and WCK in OSKPH as at 28 February 2007 are 5.72% and 0.94% respectively. The principal activities of PJD Group comprise of property development and construction, hotel/resort management and manufacturing.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

Notes (Cont'd):

- (4) OLH, WCK and Mr Wong Chong Che (WCC), directors of OSK are the brothers of WAC, who in turn is director and major shareholder of Dindings Consolidated Sdn Bhd (DCSB). KCM, a director and major shareholders of DCSB is the wife of OLH. OLH is the major shareholder of OSK and OSKPH. The principal activities of the DCSB Group comprise of investment holdings, insurance and construction.
- (5) OSK-UOB Unit Trust Management Berhad ("OSK-UOB") is a 70% owned subsidiary of OSKIB which in turn a wholly-owned subsidiary of OSK. KHB is the wholly-owned subsidiary of OSK. OLH is the director of OSKIB, KHB, OSK-UOB and OSK. OLH is also a major shareholder of OSK.
- (6) OSKIB is renting an office space at No. 62 & 64, Vista Magna, Jalan Prima, Metro Prima, 52100 Kuala Lumpur from OSK Properties Sdn Bhd ("OSKPSB"), a wholly-owned subsidiary of OSKPH which in turn of a 64.24% subsidiary of OSK. OLH and WCK are the directors of OSK, OSKPH and OSKIB. OLH is also a major shareholder of OSK and OSKPH.
- (7) OLH and WCK, directors of KHB and OSK, are the brothers of WAC and WCS, who in turn are directors of PJD. KCM, a director of PJD, is the wife of OLH. KHB is a wholly-owned subsidiary of OSK. As at 28 February 2007, WCK held a 0.45% shareholding in PJD. OLH does not hold any share in PJD. OLH is also a major shareholder of OSK.
- (8) KHB is the subsidiary of OSK while OSK Venture Equities Sdn Bhd ("OSKVE") is a wholly-owned subsidiary of OSK Ventures International Berhad ("OSKVI") which in turn a subsidiary of OSK. OLH is the director of KHB, OSKVI and former director of OSKVE and also major shareholder of OSK and OSKVI.
- (9) OLH, WCK and WCC, directors of OSK, are the brothers of WAC and WCS, who in turn are directors of PJD. KCM is the wife of OLH. Dato' Mohamed Tarmizi bin Mohd Tahir (DT) is a director of both OSK and PJD. As at 28 February 2007, WCK held a 0.45% shareholding in PJD. OLH, WCC and DT do not hold any share in PJD. The shareholdings of the interested directors OLH, WCK, WCC and DT in OSK as at 28 February 2007 are 29.07 0.11%, 0.92 and 0% respectively.
- (10) OSK Trustee Berhad ("OSKT") is a wholly-owned subsidiary of OSK Group, acting as the Trustees of the BaIDS issued by OSKPH which in turn a 64.24% subsidiary of OSK. OLH is the director and major shareholder of both OSK and OSKPH. WCK is also a director and shareholder of OSK and OSKPH (0.11% and 0.94%, direct interest as at 28 February 2007).
- (11) OSKIB and OSKPH are both direct subsidiaries of OSK. OLH and WCK are the directors of OSKIB and OSKPH. OLH is also the major shareholder of OSKPH and OSK.
- (12) OLH is the director of OSKIB and OSKVI while WCK is the former director of OSKIB. As at 28 February 2007, OLH and WCK both hold 0.20% share in OSKVI. OLH is also the major shareholder of OSK, the holding company of OSKIB and OSKVI.
- (13) OSK-UOB is a 70% owned subsidiary of OSKIB while OLH is a director of OSKIB and OSK. OLH is also the major shareholder of OSK.
- (14) KE-ZAN Holdings Berhad is a wholly-owned subsidiary of OSK while OSKPSB is a wholly-owned subsidiary of OSKPH. OLH and WCK are the directors of KHB and OSKPH. OLH is also the major shareholder of OSKPH and OSK.

Additional Disclosure

OSK Holdings Berhad

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Save as disclosed below, there was no materials contract(s) entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2006.

- (1) On 4 April 2005, OSK Asia Holdings Limited ("OSKAHL") a subsidiary of OSK Holdings Berhad ("OSK"), entered into a Sale and Purchase Agreement with 1) Or Wai Hung, Kenneth and 2) Lim Chui Ling ("Vendors") for the acquisition of the entire issued share capital in Prudence Securities Company Limited, now known as OSK Asia Securities Limited, comprising 15 million ordinary shares of HK\$1.00 each for a total consideration of HK\$16,000,847 of which HK\$3,000,000 was satisfied by the issuance of 3 million ordinary shares of HK\$1.00 each in OSKAHL and the balance of HK\$13,000,847 was fully satisfied by cash consideration.

Subsequent thereto, OSK and OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB") had on 25 August 2006 entered into a Sale and Purchase Agreement in relation to OSKAHL to dispose the 50 million ordinary shares of HK\$1.00 each in OSKAHL, representing 75.76% of the issued and paid-up share capital of OSKAHL for a total consideration of RM23,404,130. Upon completion of the above disposal, OSKAHL became a subsidiary of OSKIB, which in turn is a wholly-owned subsidiary of OSK.

Relationship

OSKIB is a substantial shareholder of OSKAHL, which in turn is a wholly-owned subsidiary of OSK. Mr Ong Leong Huat @ Wong Joo Hwa and Mr Wong Chong Kim are the directors in OSK and OSKAHL. Mr Ong Leong Huat is also a major shareholder of OSK. He is deemed interested in OSKAHL by virtue of his substantial shareholdings in OSK.

- (2) On 9 November 2005, OSK Properties Sdn Bhd ("OSKPSB"), a wholly-owned subsidiary of OSK Property Holdings Berhad ("OSKPH") entered into a conditional sale and purchase agreement ("SPA") with Team Keris Sdn Bhd (Company No. 702437-W) for the proposed disposal of two (2) parcels of land measuring 314 acres (Phase 3) and 72.75 acres (Phase 4) respectively, in Mukim of Sungei Petani, District of Kuala Muda, State of Kedah Darul Aman for a total consideration of RM52, 225,173 upon fulfillment of certain conditions precedent of the SPA by the Purchaser.

On 9 February 2007 the conditional SPA entered into between OSKPSB and Team Keris Sdn Bhd has been terminated.

Relationship

OSKPSB is a wholly owned subsidiary of OSKPH and OSKPH is a 64% owned subsidiary of OSK. Dato' Nik Mohamed Din bin Datuk Nik Yusoff, Mr Ong Leong Huat @ Wong Joo Hwa and Mr Wong Chong Kim are the directors in OSKPH and OSK. Mr Ong Leong Huat is the major shareholder in OSKPH and OSK.

- (3) Documentation pursuant to issuance of commercial papers ("CP") and/or medium term notes ("MTN") of up to RM300 million ("Programme") entered into by OSKIB:-
 - (i) Notes Issuance Facility Agreement dated 24 July 2006 between OSKIB, as the Issuer and the Arranger, and Standard Chartered Bank Malaysia Berhad ("SCB"), as the Lead Arranger, Facility Agent and Issue Agent to create and issue the CP/MTN subject to the provision set out in the Rules on Fully Automated System for Issuing/Tendering issued by Bank Negara Malaysia ("BNM");
 - (ii) Depository and Paying Agency Agreement dated 24 July 2006 between OSKIB, UOB Trustee (Malaysia) Berhad ("UOB"), SCB and BNM for appointment of BNM as the central depository and the paying agent for the Programme;
 - (iii) Agency Agreement dated 24 July 2006 between OSKIB, UOB and SCB for the appointment of SCB as the issuing agent of the Programme; and
 - (iv) Trust Deed dated 24 July 2006 between OSKIB and UOB for the appointment of UOB as the Trustee in relation to the Programme.

Relationship

OSKIB is a wholly-owned subsidiary company of OSK.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST (CONT'D)

- (4) On 15 December 2005, OSKIB ("the Purchaser"), a wholly-owned subsidiary of OSK entered into a Sale and Purchase Agreement with Su E-Min & Co. (Singapore) Pte Ltd ("Vendor") for the acquisition of 15,300,000 ordinary shares of SGD1.00 each, representing 51% equity interest in DMG & Partners Securities Pte Ltd ("DMG") for a purchase consideration of SGD49,220,263 (equivalent to approximately RM112,222,200, based on an exchange rate of SGD1.00 : RM2.28) to be wholly satisfied in cash.

On 31 March 2006, OSKIB entered into a Deed of Ratification and Accession with Su E-Min & Co (Singapore) Pte ("SEM") and Deutsche Asia Pacific Holdings Pte Ltd ("DAPH") (the "Deed") whereby OSKIB executed the Deed as if it was an original party to the Shareholders' Agreement between SEM and DAPH ("SA") as shareholder of DMG in place of SEM. This Deed is governed by and construed in accordance with the laws of Singapore.

Relationship

OSKIB is a wholly-owned subsidiary of OSK. Upon the completion of the said acquisition, DMG became a 51% owned subsidiary of OSKIB.

- (5) On 18 September 2006, OSK entered into a Sale and Purchase Agreement in relation to OSK Futures And Options Sdn Bhd ("OSKFO") with OSKIB to dispose 10 million ordinary shares of RM1.00 each in OSKFO, representing 100% of the issued and paid-up share capital of OSKFO, for a total consideration of RM10,827,174.

On 15 November 2006 OSKFO ("the Transferor") entered into a Business Merger Agreement with OSKIB ("the Transferee") whereby the parties agreed to merge the Business with the existing business of the Transferee. The completion is pending regulatory approvals and the court order.

Relationship

Both OSKIB and OSKFO are wholly-owned subsidiary companies of OSK. Dato' Nik Mohamed Din bin Datuk Nik Yusoff and Mr Ong Leong Huat are the directors in OSK and OSKIB. Mr Ong Leong Huat is the major shareholder of OSK.

- (6) On 27 November 2006, OSK ("the Purchaser") entered into a Sale of Shares Agreement with Equitable Investment Co. (Hong Kong) Limited ("the Vendor") for the purchase of 725,000 ordinary shares of RM1.00 each of OSK Wealth Planners Sdn Bhd ("OSKWP"), representing 50% of the entire issued and paid-up share capital of OSKWP.

In relation thereto, on 10 January 2007 OSKWP ("the Licensee") entered into a Deed of Termination with American International Assurance Company (Bermuda) Limited ("the Licensor") of a Licence Agreement entered into on 26 April 2004 between OSKWP whereby the Licensor shall cease to have the right to use all Proprietary Marks of the Licensee.

Relationship

The said acquisition was completed on 23 February 2007 and subsequent thereto, OSKWP became a wholly-owned subsidiary of OSK. Dato' Nik Mohamed Din bin Datuk Nik Yusoff is the director in OSK and OSKWP.

- (7) On 12 February 2007, OSK-UOB Unit Trust Management Berhad ("OSK-UOB") entered into a Joint Venture Agreement with iFAST Corporation Pte Ltd ("iFast") and Mr Lim Chung Chun who is the Chairman and CEO of iFast to establish a joint venture business in Malaysia to undertake inter-alia the marketing and distribution of unit trusts as a third party Institutional Unit Trust Agent and the operation and maintenance of website/s featuring advice, analyses, reports and advertisements concerning unit trust funds. This agreement is conditional upon all necessary regulatory approvals being obtained.

Relationship

OSK-UOB is a 70% owned subsidiary company of OSKIB and the 30% equity in OSK-UOB is owned by United Overseas Bank (Malaysia) Berhad.

Additional Disclosure

OSK Holdings Berhad

VARIATION OF RESULTS

There were no significant variations between the audited results for the financial year and the unaudited results previously announced.

NON-AUDIT FEES

The non-audit fees paid by the Company to external auditors for the financial year ended 31 December 2006 are disclosed in Note 8 of the financial statements.

PROFIT FORECAST/PROFIT GUARANTEE

The Company did not issue any profit forecast in any public documents during the current financial year.

Statement of Directors' Responsibilities For Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company of the financial year.

The Directors have responsibilities for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements are drawn up in accordance with the applicable Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the audited financial statements, the Directors have prepared the annual audited financial statements on a going concern basis; applied the appropriate and relevant accounting policies consistently; and made a reasonable and prudent judgements and estimates.

The Directors have a general responsibility for taking such steps to safeguard the assets of the Group and the Company and to detect and prevent fraud as well as other irregularities.

financial statements



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Directors' Report

OSK Holdings Berhad

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiary and associated companies are described in Note 48 to the financial statements.

There have been no significant changes in the nature of these activities during the year other than the activities undertaken by new subsidiary companies and associated companies as disclosed in Note 48 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the year:		
- Attributable to equity holders of the Company	99,500,865	50,003,328
- Attributable to minority interests	31,593,241	-
	<hr/>	<hr/>
	131,094,106	50,003,328
	<hr/>	<hr/>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year other than those as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of the new and revised Financial Reporting Standards ("FRSs") which has resulted in an increase in the Group's profit for the year by RM9,126,000 due to the cessation of amortisation of intangible assets and a decrease in the Group's profit by RM2,859,275 due to the recognition of fair value of Executive Share Option Scheme ("ESOS") shares granted to eligible grantees [Note 2(b)].

DIVIDENDS

Dividends paid and declared by the Company since the end of the previous year are as follows:

- (a) A final dividend of 5.0 sen per share less 28% income tax amounting to RM21,976,931 in respect of the preceding year ended 31 December 2005 was paid on 3 May 2006.; and
- (b) An interim dividend of 5.0 sen per share less 28% income tax amounting to RM21,835,207 for the year ended 31 December 2006 was paid on 13 October 2006.

The Board of Directors has recommended a final dividend of 7.5 sen per share less 27% income tax for the year ended 31 December 2006. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2007.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim
 Wong Chong Che
 Dato' Mohamed Tarmizi bin Mohd. Tahir
 Dr. Choong Tuck Yew
 Dr. Ngo Get Ping (Appointed on 16 January 2007)
 Dato' Nik Mohamed bin Nik Yahya (Resigned on 29 January 2007)

DIRECTORS' BENEFITS

Neither at the end of the year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted pursuant to the Executive Share Option Scheme of the Company

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 8 and 41(b) to the financial statements or the fixed salary of a full time employee of a subsidiary company of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 41(c) to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the directors in office at the end of the year who have interests in the shares, warrants and options of the Company and its subsidiary companies during the year were as follows:

(a) The Company

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2006	Acquired	Disposed	As at 31.12.2006
Direct Interest:				
Dato' Nik Mohamed Din bin				
Datuk Nik Yusoff	14,109,685	850,000	(1,398,900)	13,560,785
Ong Leong Huat @ Wong Joo Hwa	185,406,812	238,400	-	185,645,212
Dato' Nik Mohamed bin Nik Yahya	5,359,729	-	(640,000)	4,719,729
Wong Chong Kim	425,327	300,000	-	725,327
Wong Chong Che	8,966,513	227,100	(258,655)	8,934,958
Indirect Interest:				
Wong Chong Kim	358,395	100,000	-	458,395

Directors' Report

OSK Holdings Berhad

(a) The Company (Cont'd)

	Number of Warrant B 2000/2010		
	As at 1.1.2006	Acquired	Disposed
Direct Interest:			
Dato' Nik Mohamed Din bin			
Datuk Nik Yusof	2,896,810	-	(2,896,800)
Ong Leong Huat @ Wong Joo Hwa	35,857,915	1,726,000	-
Dato' Nik Mohamed bin Nik Yahya	375,782	-	(100,000)

Each Warrant B 2000/2010 entitles the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM2.23 per share, at any time before the expiry date of 1 March 2010.

	Number of options over ordinary shares of RM1.00 each		
	As at 1.1.2006	Granted	Exercised
Direct Interest:			
Dato' Nik Mohamed Din bin			
Datuk Nik Yusoff	1,050,000	450,000	(850,000)
Ong Leong Huat @ Wong Joo Hwa	1,050,000	450,000	-
Dato' Nik Mohamed bin Nik Yahya	378,000	225,000	-
Wong Chong Kim	1,050,000	450,000	(300,000)
Wong Chong Che	300,700	42,100	(227,100)

The options over ordinary shares were granted pursuant to the Company's ESOS as disclosed in Note 31.

(b) Subsidiary companies

OSK Property Holdings Berhad ("OSKPH")

	Number of ordinary shares of RM1.00 each		
	As at 1.1.2006	Acquired	Disposed
Direct Interest:			
Ong Leong Huat @ Wong Joo Hwa	6,343,059	-	(1,000,000)
Dato' Nik Mohamed bin Nik Yahya	400,647	-	-
Wong Chong Kim	875,757	-	-
Wong Chong Che	140,878	-	-
Indirect Interest:			
Wong Chong Kim	143,000	244,100	-
Holdings in which the director is deemed to have an interest			
Ong Leong Huat @ Wong Joo Hwa	60,033,200	-	-

(b) Subsidiary companies (Cont'd)

OSK Property Holdings Berhad ("OSKPH") (Cont'd)

	Number of Warrant 2004/2009			
	As at 1.1.2006	Acquired	Disposed	As at 31.12.2006
Direct Interest:				
Dato' Nik Mohamed Din bin				
Datuk Nik Yusoff	20	-	-	20
Ong Leong Huat @ Wong Joo Hwa	7,265,443	-	-	7,265,443
Dato' Nik Mohamed bin Nik Yahya	23	-	-	23
Wong Chong Kim	438,000	-	-	438,000
Indirect Interest:				
Wong Chong Kim	5,600	-	-	5,600
Holdings in which the director is deemed to have an interest				
Ong Leong Huat @ Wong Joo Hwa	31,926,068	-	-	31,926,068

Each Warrant 2004/2009 entitles the registered holder to subscribe for 1 new ordinary share in OSKPH at an exercise price of RM1.10 per share, at any time before the expiry date of 5 April 2009.

OSK Ventures International Berhad

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2006	Acquired	Disposed	As at 31.12.2006
Direct Interest:				
Dato' Nik Mohamed Din bin				
Datuk Nik Yusoff	200,000	200,000	-	400,000
Ong Leong Huat @ Wong Joo Hwa	300,000	-	-	300,000
Dato' Nik Mohamed bin Nik Yahya	300,000	-	(25,000)	275,000
Wong Chong Kim	300,000	-	-	300,000
Dr. Choong Tuck Yew	37,500	-	-	37,500
Indirect Interest:				
Wong Chong Kim	170,000	77,100	-	247,100
Holdings in which the director is deemed to have an interest				
Ong Leong Huat @ Wong Joo Hwa	88,792,770	8,897,500	-	97,690,270

Mr. Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies, except for OSKPH and OSKVI as disclosed above and the wholly-owned subsidiary companies, are as follows:

Directors' Report

OSK Holdings Berhad

(b) Subsidiary companies (Cont'd)

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2006	Acquired	Disposed	As at 31.12.2006
Ascendas-OSK REIT Management Sdn. Bhd.	5,100	504,900	-	510,000
Finexasia.com Sdn. Bhd.	10,000,000	-	-	10,000,000
OSK-UOB Unit Trust Management Berhad	7,000,000	-	-	7,000,000

	Number of ordinary shares/amount (SGD)			
	As at date of acquisition 31.3.2006	Acquired	Disposed	As at 31.12.2006
DMG & Partners Securities Pte Ltd	15,300,000	-	-	15,300,000

	Number of ordinary shares of HKD1.00 each			
	As at 1.1.2006	Acquired	Disposed	As at 31.12.2006
OSK Asia Holdings Limited	46,000,000	66,000,000	-	112,000,000

Other than as disclosed above, the directors in office at the end of the year did not hold any shares, warrants or options in the Company or its related corporations.

ISSUE OF SHARES AND DEBENTURES

New shares issued during the year are disclosed in Note 29 to the financial statements. The new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

The Company has not issued any new debentures during the year.

TREASURY SHARES

Details of treasury shares are disclosed in Note 30 to the financial statements.

WARRANT B 2000/2010

Pursuant to an abridged prospectus dated 7 January 2000, options were granted by way of a detachable Warrant B with the issue of 3.5% Redeemable Unsecured Bonds 2000/2005 and 6% Irredeemable Convertible Unsecured Loan Stocks 2000/2005 on 2 March 2000. Pursuant to a Special Resolution passed at the Extraordinary General Meeting of Warrant holders on 9 November 2004, duration and exercise period of Warrant B has been extended by five years from 1 March 2005 up to and including 1 March 2010.

Statutory information concerning the Warrant B 2000/2010 is set out below:

- Each warrant entitles the holder to subscribe for 1 new ordinary share of RM1 each in the Company at a price of RM2.23 per share;
- The Warrant B 2000/2010 may be exercised at any time during normal business hours up to 5.00 pm on 1 March 2010;

WARRANT B 2000/2010 (Cont'd)

- (c) Full provisions regarding the transferability of Warrant B 2000/2010 to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the Exercise Price in certain circumstances, quotation on Bursa Securities and other terms and conditions pertaining to the Warrant B 2000/2010 are set out in detail in a Deed Poll executed by the Company on 6 January 2000, which is available for inspection at the registered office of the Company;
- (d) The number of Warrant B 2000/2010 remaining outstanding at the end of the year was 101,423,826 (2005: 101,423,826).

EXECUTIVE SHARE OPTION SCHEME

Details of the Executive Share Option Scheme ("ESOS") are disclosed in Note 31 to the financial statements.

The Company is exempted from disclosing information as required by Section 169(11) of the Companies Act, 1965 other than as indicated below pursuant to approval from the Companies Commission of Malaysia dated 3 November 2006:

ESOS granted during the current year (200,000 options and above):

Name	Number of options over ordinary shares of RM1.00 each			
	As at 1.1.2006	Granted	Exercised	As at 31.12.2006
Dato' Nik Mohamed Din bin				
Datuk Nik Yusoff	1,050,000	450,000	(850,000)	650,000
Ong Leong Huat @ Wong Joo Hwa	1,050,000	450,000	-	1,500,000
Wong Chong Kim	1,050,000	450,000	(300,000)	1,200,000
Mohd. Idris bin Ahmad Jais	745,500	253,100	-	998,600
Diong King Kuang	761,600	286,800	(274,100)	774,300
Ho Seng Yee	523,600	236,200	(100,000)	659,800
Dato' Nik Mohamed bin Nik Yahya	378,000	225,000	-	603,000
Nik Halim bin Nik Daud	340,800	219,300	(277,300)	282,800
Chan Kong Ming	566,600	303,700	-	870,300
Yap Yuh Foh	566,600	303,700	(712,800)	157,500

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report

OSK Holdings Berhad

OTHER STATUTORY INFORMATION (CONT'D)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 45 to the financial statements.

MATERIAL SUBSEQUENT EVENTS

Material subsequent events are disclosed in Note 46 to the financial statements.

AUDITORS

The auditors, Messrs. Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2007.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Wong Chong Kim

Kuala Lumpur, Malaysia
27 February 2007

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

OSK Holdings Berhad

We, Dato' Nik Mohamed Din bin Datuk Nik Yusoff and Wong Chong Kim, being two of the directors of OSK Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 57 to 171 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2007

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Wong Chong Kim

Kuala Lumpur, Malaysia
27 February 2007

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Ding Lien Bing, being the officer primarily responsible for the financial management of OSK Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 57 to 171 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Ding Lien Bing)
at Kuala Lumpur in the Federal Territory)
on 27 February 2007)

Ding Lien Bing

Before me,

Kuala Lumpur, Malaysia

Auditors' Report

To the Members of OSK Holdings Berhad

We have audited the accompanying financial statements set out on pages 57 to 171. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 48 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

27 February 2007

Gloria Goh Ewe Gim

No. 1685/04/07(J)

Partner

Income Statements

For the Year Ended 31 December 2006

OSK Holdings Berhad

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	549,962,352	335,890,043	77,176,227	75,780,120
Direct costs	6	(181,704,067)	(117,029,110)	-	-
Gross profit		368,258,285	218,860,933	77,176,227	75,780,120
Other income	7	18,112,143	20,740,751	115,142	83,405
Administrative expenses	8	(190,144,019)	(137,195,908)	(2,323,076)	(1,527,332)
Other expenses	9	(24,122,005)	(19,940,120)	(1,003,344)	(165,625)
Finance costs	10	(28,760,406)	(19,560,327)	(6,023,544)	(1,476,345)
Share of profits of associated companies, net of taxation		18,293,835	8,355,294	-	-
Profit before taxation		161,637,833	71,260,623	67,941,405	72,694,223
Income tax expense	11	(30,543,727)	(10,190,707)	(17,938,077)	(16,361,242)
Profit after taxation for the year		131,094,106	61,069,916	50,003,328	56,332,981
Profit attributable to:					
Equity holders of the Company		99,500,865	45,401,015		
Minority interests		31,593,241	15,668,901		
		131,094,106	61,069,916		
Earnings per share attributable to equity holders of the Company (sen):					
Basic	12	16.35	7.61		
Diluted	12	16.31	7.61		

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2006

OSK Holdings Berhad

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	171,736,285	166,122,691	-	-
Investment property	15	42,785,687	42,785,687	-	-
Land held for property development	16(a)	190,802,231	184,710,111	-	-
Investments in subsidiary companies	17(a)	-	-	1,226,943,597	1,137,020,596
Investments in associated companies	18(a)	225,083,853	141,324,404	1,200,001	1,987,550
Intangible assets	19	248,351,821	169,560,375	-	-
Other long term investments	21	80,439,007	24,657,830	9,617,750	9,617,750
Security deposits and statutory funds	22	3,412,838	2,589,688	-	-
Deferred tax assets	23(a)	464,620	530,000	-	-
		<u>963,076,342</u>	<u>732,280,786</u>	<u>1,237,761,348</u>	<u>1,148,625,896</u>
Current assets					
Property development costs	16(b)	71,355,939	56,380,593	-	-
Trade receivables	24	1,802,889,486	560,434,918	-	-
Accrued billings		-	1,774,900	-	-
Other receivables, deposits and prepayments	25	21,305,208	20,309,011	317,387	58,235
Tax recoverable		12,779,228	21,161,413	1,415,053	1,883,627
Amounts due from subsidiary companies	17(b)	-	-	32,631,293	20,541,847
Short term investments	26	419,231,758	161,252,145	4,494,220	3,844,896
Fund manager's stocks	27	1,786,564	802,323	-	-
Deposits and placements with banks	39(a)	15,600,000	-	-	-
Cash, bank balances and deposits					
- General accounts	28(a)	180,436,609	313,634,315	2,101,594	1,218,535
- Segregated accounts	28(b)	328,479,479	216,052,267	-	-
		<u>2,853,864,271</u>	<u>1,351,801,885</u>	<u>40,959,547</u>	<u>27,547,140</u>
TOTAL ASSETS		<u>3,816,940,613</u>	<u>2,084,082,671</u>	<u>1,278,720,895</u>	<u>1,176,173,036</u>

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2006

OSK Holdings Berhad

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	29	632,352,079	625,307,579	632,352,079	625,307,579
Less: Treasury shares	30	(29,081,537)	(16,592,808)	(29,081,537)	(16,592,808)
		<hr/>	<hr/>	<hr/>	<hr/>
Reserves	32	603,270,542	608,714,771	603,270,542	608,714,771
		618,983,578	543,140,556	524,950,448	514,196,949
		<hr/>	<hr/>	<hr/>	<hr/>
		1,222,254,120	1,151,855,327	1,128,220,990	1,122,911,720
Minority interests		298,859,690	208,975,272	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EQUITY		1,521,113,810	1,360,830,599	1,128,220,990	1,122,911,720
		<hr/>	<hr/>	<hr/>	<hr/>
Non-current liabilities					
Term loan	33	84,211,500	-	84,211,500	-
Seven(7) Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities	35	70,138,895	68,228,168	-	-
Finance lease payables	36	1,214,277	-	-	-
Deferred tax liabilities	23(b)	28,099,457	29,300,715	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		183,664,129	97,528,883	84,211,500	-
		<hr/>	<hr/>	<hr/>	<hr/>
Current liabilities					
Trade payables	37	1,319,003,564	306,029,181	-	-
Progress billings		7,450,662	20,689,915	-	-
Other payables, deposits and accruals	38	155,074,607	120,095,833	1,120,441	173,285
Amounts due to subsidiary companies	17(c)	-	-	32,667,964	53,088,031
Amount due to an associated company	18(b)	3,042,082	2,521,773	-	-
Deposits and placements of banks	39(b)	102,090,000	-	-	-
Short term borrowings	40	516,436,234	173,892,993	32,500,000	-
Tax payable		9,065,525	2,493,494	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		2,112,162,674	625,723,189	66,288,405	53,261,316
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES		2,295,826,803	723,252,072	150,499,905	53,261,316
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		3,816,940,613	2,084,082,671	1,278,720,895	1,176,173,036
		<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2006

OSK Holdings Berhad

Attributable to equity holders of the Company											Minority interests	Total equity
Note	Share capital (Note 29) RM	Treasury shares (Note 30) RM	Share premium (Note 32) RM	Capital redemption reserve (Note 32) RM	Reserve on consolidation (Note 32) RM	Equity compensation reserve (Note 32) RM	Foreign exchange reserves (Note 32) RM	Other reserves (Note 32) RM	Retained profits (Note 32) RM	Total RM	RM	RM
At 1 January 2006												
As previously stated	625,307,579	(16,592,808)	61,029,306	58,919,600	76,364,220	-	(126,598)	4,826,574	342,127,454	1,151,855,327	208,975,272	1,360,830,599
Effects of adoption of FRS 3	-	-	-	-	(76,364,220)	-	-	-	76,364,220	-	-	-
As restated	625,307,579	(16,592,808)	61,029,306	58,919,600	-	-	(126,598)	4,826,574	418,491,674	1,151,855,327	208,975,272	1,360,830,599
Foreign currency translation difference	-	-	-	-	-	-	(2,031,727)	-	-	(2,031,727)	277,664	(1,754,063)
Gains on deemed disposal of shares in an associated company	-	-	-	-	-	-	-	28,443,917	-	28,443,917	-	28,443,917
Realisation of gain on actual disposal of shares in associated companies:												
- gains previously recognised on deemed disposal	-	-	-	-	-	-	-	(54,976)	54,976	-	-	-
- other reserves	-	-	-	-	-	-	-	4,370	(4,370)	-	-	-
Group's share of other reserves in associated companies	-	-	-	-	-	-	-	(1,071,826)	-	(1,071,826)	-	(1,071,826)
Minority interest's share of other reserves in associated companies	-	-	-	-	-	-	-	(10,049,357)	-	(10,049,357)	10,049,357	-
Reserve arising from acquisition of additional shares in an indirect subsidiary	-	-	-	-	-	-	-	339,189	-	339,189	(339,189)	-
Capital reserve arising from subscription of additional shares in a subsidiary	-	-	-	-	-	-	-	7,071	-	7,071	(7,071)	-
Total (expense)/income recognised directly in equity	-	-	-	-	-	-	(2,031,727)	17,618,388	50,606	15,637,267	9,980,761	25,618,028
Profit for the year	-	-	-	-	-	-	-	-	99,500,865	99,500,865	31,593,241	131,094,106
Total (expense) income												
for the year	-	-	-	-	-	-	(2,031,727)	17,618,388	99,551,471	115,138,132	41,574,002	156,712,134
Dividends paid	13	-	-	-	-	-	-	-	(43,812,138)	(43,812,138)	-	(43,812,138)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	(20,763,565)	(20,763,565)
Shares issued pursuant to exercise of ESOS	31	7,044,500	-	1,705,434	-	-	-	-	-	8,749,934	-	8,749,934
Transactional costs	-	-	(2,400)	-	-	-	-	-	(2,400)	(2,400)	-	(2,400)
Share-based payment under ESOS	-	-	-	-	-	2,859,275	-	-	2,859,275	-	-	2,859,275
Reserve realised upon exercise of ESOS	-	-	-	-	-	(398,575)	-	-	398,575	-	-	-
Share buybacks by the Company	30	-	(12,488,729)	-	-	-	-	-	-	(12,488,729)	-	(12,488,729)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	(52,623)	(52,623)
Acquisition of subsidiary companies	17(a)(i)	-	-	-	-	-	-	-	-	-	86,518,156	86,518,156
Acquisition of additional shares in subsidiary companies	-	-	-	-	-	-	-	-	(45,281)	(45,281)	(17,964,847)	(18,010,128)
Subscription of shares by minority interest	-	-	-	-	-	-	-	-	-	-	485,100	485,100
Reversal of unutilised share issue expenses in subsidiary company	-	-	-	-	-	-	-	-	-	-	88,195	88,195
At 31 December 2006												
	632,352,079	(29,081,537)	62,732,340	58,919,600	-	2,460,700	(2,158,325)	22,444,962	474,584,301	1,222,254,120	298,859,690	1,521,113,810

Attributable to equity holders of the Company											Minority interests	Total equity
Note	Share capital (Note 29) RM	Treasury shares (Note 30) RM	Share premium (Note 32) RM	Capital redemption reserve (Note 32) RM	Reserve on consolidation (Note 32) RM	Foreign exchange reserves (Note 32) RM	Other reserves (Note 32) RM	Retained profits (Note 32) RM	Total RM	RM	RM	
At 1 January 2005												
Effect arising from equity accounting of associated companies	584,777,720	(21,449,891)	30,154,647	58,919,600	68,669,628	-	-	306,622,235	1,027,693,939	210,915,752	1,238,609,691	
As restated	584,777,720	(21,449,891)	30,154,647	58,919,600	68,669,628	-	1,370,860	1,101,203	2,472,063	-	2,472,063	
Expenses recognised												
- for extension of warrants	-	-	(19,900)	-	-	-	-	-	(19,900)	-	(19,900)	
- for conversion of 6% ICULS	-	-	(21,000)	-	-	-	-	-	(21,000)	-	(21,000)	
Foreign exchange translation differences	-	-	-	-	-	(126,598)	-	-	(126,598)	(25,534)	(152,132)	
Group's share of associated companies reserves	-	-	-	-	-	-	85,841	-	85,841	-	85,841	
Gain on deemed disposal of shares in associated companies	-	-	-	-	-	-	3,369,873	-	3,369,873	-	3,369,873	
Acquisition of additional shares in subsidiary companies	17(a)(i)	-	-	-	7,694,592	-	-	-	7,694,592	(9,833,378)	(2,138,786)	
Total (expense)/income recognised directly in equity	-	-	(40,900)	-	7,694,592	(126,598)	3,455,714	-	10,982,808	(9,858,912)	1,123,896	
Profit for the year	-	-	-	-	-	-	-	45,401,015	45,401,015	15,668,901	61,069,916	
Total (expense)/income recognised for the year	-	-	(40,900)	-	7,694,592	(126,598)	3,455,714	45,401,015	56,383,823	5,809,989	62,193,812	
Distribution of share dividend	13	-	20,892,837	(20,892,837)	-	-	-	-	-	-	-	-
Dividends paid	13	-	-	-	-	-	-	(10,996,999)	(10,996,999)	-	(10,996,999)	(10,996,999)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(3,091,522)	(3,091,522)	(3,091,522)
Shares issued pursuant to:												
- exercise of ESOS	31	73,500	-	24,255	-	-	-	-	97,755	-	97,755	97,755
- conversion of ICULS	-	40,456,359	-	51,784,141	-	-	-	-	92,240,500	-	92,240,500	92,240,500
Share buybacks by the Company	30	-	(16,035,754)	-	-	-	-	-	(16,035,754)	-	(16,035,754)	(16,035,754)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	(12,490,523)	(12,490,523)	(12,490,523)
Subscription of shares in a subsidiary company	-	-	-	-	-	-	-	-	-	4,900	4,900	4,900
Dilution in a subsidiary group	-	-	-	-	-	-	-	-	-	7,826,676	7,826,676	7,826,676
At 31 December 2005												
	625,307,579	(16,592,808)	61,029,306	58,919,600	76,364,220	(126,598)	4,826,574	342,127,454	1,151,855,327	208,975,272	1,360,830,599	

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2006

OSK Holdings Berhad

		Non-distributable			Distributable		
		Share capital	Treasury shares	Share premium	Capital redemption reserve	Equity compensation reserve	Retained profits
Note	(Note 29)	(Note 30)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	(Note 32)
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006	625,307,579	(16,592,808)	61,029,306	58,919,600	-	394,248,043	1,122,911,720
Profit for the year	-	-	-	-	-	50,003,328	50,003,328
Dividends paid	13	-	-	-	-	(43,812,138)	(43,812,138)
Shares issued pursuant to exercise of ESOS	31	7,044,500	-	1,705,434	-	-	8,749,934
Share-based payment under ESOS	-	-	-	-	2,859,275	-	2,859,275
Reserve realised upon exercise of ESOS	-	-	-	-	(398,575)	398,575	-
Shares buyback by the Company	30	-	(12,488,729)	-	-	-	(12,488,729)
Transactional costs	-	-	(2,400)	-	-	-	(2,400)
At 31 December 2006	632,352,079	(29,081,537)	62,732,340	58,919,600	2,460,700	400,837,808	1,128,220,990

		Non-distributable			Distributable		
		Share capital	Treasury shares	Share premium	Capital redemption reserve	Retained profits	Total
Note	(Note 29)	(Note 30)	(Note 32)	(Note 32)	(Note 32)	(Note 32)	RM
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2005	584,777,720	(21,449,891)	30,154,647	58,919,600	348,912,061	1,001,314,137	
Expenses recognised							
- for extension of warrants	-	-	(19,900)	-	-	(19,900)	
- for conversion of ICULS	-	-	(21,000)	-	-	(21,000)	
Total expenses recognised directly in equity	-	-	(40,900)	-	-	(40,900)	
Profit for the year	-	-	-	-	56,332,981	56,332,981	
Total (expense)/income for the year	-	-	(40,900)	-	56,332,981	56,292,081	
Distribution of share dividend	13	-	20,892,837	(20,892,837)	-	-	-
Dividends paid	13	-	-	-	-	(10,996,999)	(10,996,999)
Shares issued pursuant to:							
- exercise of ESOS	31	73,500	-	24,255	-	-	97,755
- conversion of ICULS		40,456,359	-	51,784,141	-	-	92,240,500
Share buybacks by the Company	30	-	(16,035,754)	-	-	-	(16,035,754)
At 31 December 2005	625,307,579	(16,592,808)	61,029,306	58,919,600	394,248,043	1,122,911,720	

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

OSK Holdings Berhad

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		161,637,833	71,260,623
Adjustments for:			
Accretion of discount on BaIDS	10	1,867,461	1,364,602
Allowance for bad and doubtful debts	9	9,334,718	4,706,602
Allowance for bad and doubtful debts written back	7	(9,721,140)	(1,239,559)
Allowance for diminution in value of:			
- investment in an associated company	9	23,574	-
- investment in unquoted shares	9	691,750	-
- marketable securities	9	-	571,860
Impairment loss of intangible assets	9	87,325	-
Amortisation of:			
- goodwill on consolidation	9	-	7,643,493
- purchased goodwill	9	-	2,395,698
- business and intellectual property	9	-	285,714
- development costs	9	-	995,900
- trading rights	9	-	17,827
- MESDAQ admission fees	9	-	833
Bad debts written off	9	2,154,661	342,504
Depreciation	8,14	13,150,227	11,466,161
Fair value of ESOS granted to employees	8	2,859,275	-
Gain on disposal of property, plant and equipment	7	(139,086)	(414,871)
Gain on disposal of shares in an associated company	5	(23,522,965)	-
Gain on disposal of shares in Bursa Malaysia Berhad	7	-	(11,564,881)
Gain on disposal of other quoted securities	5	(9,696,397)	(8,010,673)
Gross dividend income	5,7	(340,043)	(1,718,191)
Interest expense	10	17,374,383	9,039,424
Interest income	5,7	(73,523,581)	(52,512,682)
MESDAQ admission fees written off	9	-	153,966
Profit payment on BaIDS	10	3,500,000	3,962,773
Property, plant and equipment written off	9	821,025	840,820
Provision for interest cost and compensation for a legal suit	9	2,158,778	2,158,779
Reversal of allowance for diminution in value of:			
- fund manager's stocks	7	(4,353)	(3,339)
- marketable securities	7	(1,032,904)	(27,681)
Unrealised loss on foreign exchange	9	83,255	-
Write off of:			
- goodwill on consolidation	9	2,256,018	-
- business and intellectual property	9	214,286	-
- development costs	9	2,987,698	-
Share of profit of associated companies, net of taxation		(18,293,835)	(8,355,294)
Fair value gain on dilution of interests in an associated company		(2,475,233)	-
Operating profit before working capital changes		82,452,730	33,360,408

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

OSK Holdings Berhad

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)			
Increase in development costs		(13,744,879)	(2,077,090)
(Increase)/decrease in trade and other receivables		(140,116,917)	92,403,827
(Increase)/decrease in investment in securities		(247,992,773)	214,566,880
(Increase)/decrease in fund manager's stocks		(979,888)	758,426
Increase in deposits and placement with banks and other financial institutions		(15,600,000)	-
Increase in cash held in segregated accounts		(68,932,218)	(66,271,937)
Increase in trade and other payables		649,465	58,745,429
(Decrease)/increase in progress billings		(18,786,940)	2,332,578
Increase in amounts due to associated companies		3,042,082	30,390
Increase in deposits and placements of banks and other financial institutions		102,090,000	-
Cash (used in)/generated from operations carried forward		(317,919,338)	333,848,911
Income tax paid		(28,420,907)	(33,859,067)
Refund of income tax		4,634,331	-
Interest received		61,510,850	42,675,132
Net cash (used in)/generated from operating activities		(280,195,064)	342,664,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional investment in:			
- quoted shares in existing subsidiary companies	17(a)(ii)	(21,854,746)	(6,662,421)
- associated companies		(18,773,086)	(108,986,432)
Net cash outflow from acquisition of subsidiary companies	17(a)(i)	(45,001,247)	(3,218,309)
Payment for merchant bank licence	19(f)	(52,500,000)	-
Dividend received from an associated company		1,561,668	-
Other dividends received		340,043	1,308,089
Interest received		12,012,731	9,837,550
Payment of security deposits		(890,645)	(1,380,048)
Payment of trading rights	19(e)	(135,150)	(432,933)
Proceeds from capital distribution received from Bursa Malaysia Berhad		-	13,636,363
Proceeds from disposal of property, plant and equipment		432,667	695,581
Proceeds from disposal of securities in equity, futures markets and fixed income instruments		47,735,472	53,587,122
Proceeds from disposal of shares in Bursa Malaysia Berhad		-	22,912,821
Proceeds from disposal of investments in an associated company		31,232,800	-
Proceeds from disposal of long term investments		18,351,878	-
Purchase of long term investments		(91,760,547)	-
Purchase of property, plant and equipment	14	(14,600,871)	(12,375,598)
Purchase of securities in equity, future markets and fixed income instruments		(54,429,204)	(27,831,290)
Refund from MESDAQ Berhad		-	65,201
Net cash used in investing activities		(188,278,237)	(58,844,304)

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

OSK Holdings Berhad

	Note	2006 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to minority interests		(20,763,565)	(1,831,534)
Dividends paid to shareholders	13	(43,812,138)	(10,996,999)
Drawdown of term loan		100,000,000	-
Drawdown/(repayment) of revolving credit		132,003,566	(279,824,926)
Expenses for extension of Warrant B 2000/2010		-	(19,900)
Expenses for conversion of ICULS		-	(21,000)
Interest paid		(15,876,685)	(9,106,916)
Payment of expenses incurred for issuance of BalDs		(56,451)	-
Proceeds from issuance of commercial papers	40	252,616,288	-
Proceeds from subscription of additional shares by minority shareholders		485,100	-
Repayment of 3.5% Redeemable Unsecured Bonds		-	(101,423,995)
Repayment of finance lease payables		(451,956)	-
Repayment of term loan		(3,288,500)	-
Share buybacks of the Company	30	(12,488,729)	(16,035,754)
Payment of BalDs profits		(3,500,000)	-
Proceeds from conversion of ICULS		-	8,400
Proceeds from issuance of ESOS shares	31	8,749,934	97,755
ESOS transaction costs		(2,400)	-
Net cash generated from/(used in) financing activities		393,614,464	(419,154,869)
Net decrease in cash and cash equivalents		(74,858,837)	(135,334,197)
Effects of exchange rate changes		(1,585,108)	(124,535)
Cash and cash equivalents at beginning of year		245,816,396	381,275,128
Cash and cash equivalents at end of year		169,372,451	245,816,396
Cash and cash equivalents at end of year comprised:			
Cash, bank balances and deposits - General accounts	28(a)	180,436,609	313,634,315
Bank overdrafts	40	(11,064,158)	(67,817,919)
		169,372,451	245,816,396

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the Year Ended 31 December 2006

OSK Holdings Berhad

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		67,941,405	72,694,223
Adjustments for:			
Dividend income	5	(75,553,300)	(73,920,980)
Gain on disposal of quoted securities	5	(1,285,365)	(57,559)
Interest expense	10	4,588,660	1,476,345
Interest income	5	(337,562)	(1,801,581)
Loss on disposal of subsidiary companies	9	132,541	-
(Reversal of)/allowance for diminution in value of:			
- marketable securities	7,9	(94,202)	165,625
- investment in an associated company	9	787,549	-
Unrealised loss on foreign exchange	9	83,255	-
Operating loss before working capital changes		(3,737,019)	(1,443,927)
Increase in amount due from receivables		(259,152)	(53,466)
Decrease in amount due from an associated company		-	30,390
Increase/(decrease) in other payables		901,053	(2,992,687)
Changes in net amount due to/from subsidiary companies		1,721,791	74,549,622
Cash (used in)/generated from operations		(1,373,327)	70,089,932
Interest paid		(4,542,557)	(1,476,345)
Interest received		337,562	1,918,105
Income tax paid		(173,536)	(291,596)
Refund on income tax		1,654,110	-
Net cash (used in)/generated from operating activities		(4,097,748)	70,240,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		56,603,223	57,478,919
Payment for acquisition of additional shares in subsidiary companies	17(a)(ii)	(21,854,746)	(6,662,421)
Payment for subscription of shares in subsidiary companies		(102,432,100)	(52,761,744)
Purchase of investment in securities		(38,513,968)	(7,281,306)
Proceeds from disposal of other investment		-	31,981
Proceeds from disposal of securities in equity and futures contracts		39,160,956	5,840,652
Proceeds for fair value of ESOS granted to group employees received from subsidiary companies		2,859,275	-
Net cash used in investing activities		(64,177,360)	(3,353,919)

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the Year Ended 31 December 2006

OSK Holdings Berhad

	Note	2006 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	13	(43,812,138)	(10,996,999)
Drawdown of revolving credit		20,000,000	-
Drawdown of term loan		100,000,000	-
Expenses for extension of Warrant B 2000/2010		-	(19,900)
Expenses for conversion of ICULS		-	(21,000)
Proceeds from conversion of ICULS		-	8,400
Proceeds from exercise of ESOS	31	8,749,934	97,755
ESOS transaction costs		(2,400)	-
Repayment of term loan		(3,288,500)	-
Repayment of 3.5% Redeemable Unsecured Bonds		-	(101,423,995)
Share buybacks of the Company	30	(12,488,729)	(16,035,754)
Net cash generated from/(used in) financing activities		69,158,167	(128,391,493)
Net increase/(decrease) in cash and cash equivalents		883,059	(61,505,316)
Cash and cash equivalents at beginning of year		1,218,535	62,723,851
Cash and cash equivalents at end of year		2,101,594	1,218,535
Cash and cash equivalents at end of year comprised:			
Cash, bank balances and deposits - General accounts	28	2,101,594	1,218,535

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated under the Companies Act, 1965, domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company is an investment holding company. The principal activities of the subsidiary and associated companies are described in Note 48. There have been no significant changes in the nature of these activities during the year other than the activities undertaken by new subsidiary companies and associated companies as disclosed in Note 48 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2007.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared on a historical costs basis unless indicated otherwise. The financial statements are presented in Ringgit Malaysia (RM).

At the beginning of the current year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described in Note 2(b).

(a) Statement of compliance

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

(b) Adoption of FRSs for the year

The accounting policies adopted are consistent with those of the previous year except that the Group has adopted those new/revised standards mandatory for the year beginning on or after 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(b) Adoption of FRSs for the year (Cont'd)

The adoption of FRS 5, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132 and 133 does not have significant financial impact on the Group and the principal changes in accounting policies are discussed in the following respective accounting policies. The effects of adoption of FRS 2, FRS 138, 101 and 140 are summarised as below:

Effects on income statements for the year ended 31 December 2006

Description of Change	FRS 2	FRS 3 and FRS 138	FRS 101	FRS 140	Total RM
	Note 3(o)(iii) RM	Note 3(f) RM	Note 2(b) RM	Note 3(c) RM	
Administrative expenses	(2,859,275)	-	-	-	(2,859,275)
Other expenses	-	9,126,000	-	-	9,126,000
Share of profits of associated companies, net of taxation	-	-	(18,293,835)	-	(18,293,835)
Share of profits of associated companies	-	-	20,418,386	-	20,418,386
Profit before taxation	(2,859,275)	9,126,000	2,124,551	-	8,391,276
Income tax expense	800,597	-	(2,124,551)	-	(1,323,954)
Profit after taxation	(2,058,678)	9,126,000	-	-	7,067,322

Effect on balance sheet as at 31 December 2006

Property, plant and equipment	-	-	-	(42,785,687)	(42,785,687)
Investment property	-	-	-	42,785,687	42,785,687

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively as disclosed in Note 51 and certain comparatives have been restated. These changes in presentation has no impact on the Company's financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates

The preparation of financial statements in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experiences, reasonable expectations of future events and other factors.

(i) Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Investments in associated companies

FRS 128 presumes that an investor has significant influence over its investee if it holds, directly or indirectly, 20% or more of the voting power of the investee unless it can be clearly demonstrated that this is not the case.

As at balance sheet date, where the equity interest held in the investment in associated company is less than 20%, the management determined that significant influence is retained by way of one or more of the following ways:

- a) representation on the board of directors of the investee;
- b) participation in policy-making processes;
- c) material transactions with the investee;
- d) interchange of managerial personnel; and
- e) provision of essential technical information.

Underlying securities of the Basket CW

The Group has completed the public offering of the Zero-Strike Basket Call Warrants ("Basket CW") on 30 November 2005 (Note 49). The underlying securities of the Basket CW are not recognised in the financial statements of the Group for accounting purposes as substantially the risks and rewards incidental to ownership of the underlying securities have been transferred to the Basket CW holders.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are deemed to be leased out on operating leases.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates (Cont'd)

(ii) Key sources of estimation uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experiences and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and other sources of estimation at the balance sheet date that potentially post a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment assessment of goodwill and other intangible assets

The Group determines whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More detailed disclosure on the assessment of impairment of goodwill and other intangible assets are disclosed in Note 20.

Impairment assessment of unquoted shares outside Malaysia in subsidiaries undertaking venture capital business

The management of subsidiaries undertaking venture capital business determines whether the carrying amounts of their investment in unquoted shares outside Malaysia are impaired at balance sheet date. This involves measuring the recoverable amounts which include fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flow analysis and in some cases, based on published analysts' reports and current market indicators and estimates that provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, the discount rates and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The discount rates applied to the respective cash flow projections range between 10% to 15% (31.12.2005: 10% to 15%). The growth rates used to forecast the projected cash flows for the following year approximate the performances of the respective investments based on the latest management accounts. The growth rates used to extrapolate the cash flows beyond the following year reflect a progressive decline to a rate lower than industry average, however a minimum growth rate of 4% to 5% (31.12.2005: 4% to 5%) is maintained.

Based on the opinion of the directors, adequate impairment loss has been recognised in the income statement and the management's assessments have provided reasonable assumptions that the carrying amounts of investments at the balance sheet date are not impaired.

Depreciation of property, plant and equipment

The cost of computer equipment is depreciated on a straight line basis over the equipment's useful lives. Management estimates the useful lives of these equipment to be within 3 to 7 years. These reflect the historical and expected useful economic lives of the Group's assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates (Cont'd)

(ii) Key sources of estimation uncertainty (Cont'd)

Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgment is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experiences and by relying on the work of specialists.

Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(d) FRSs not yet effective

The Group has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following FRSs that have been issued but are only effective for annual financial periods beginning on or after 1 October 2006:

(i) FRS 117 Leases

This standard not yet effective and not adopted by the Group requires leasehold land to be accounted for as operating leases. Payments made for leasehold land are required to be classified as prepaid lease and amortised over the term of the lease. Leases of land and buildings are to be classified separately where leasehold building can remain to be classified as property, plant and equipment.

The future adoption of this standard will have the effect of requiring certain leasehold land currently included in property, plant and equipment (Note 14) to be segregated and reclassified to prepaid lease.

(ii) FRS 124 Related Party Disclosures

This standard not yet effective and not adopted by the Group requires the following to be applicable to the Group in future periods:

- Removal of the exemption currently adopted by the Group (Note 41(a) and requires disclosure of related party transactions in the Company's financial statements in respect of transactions with subsidiaries.
- Disclosure of the compensation of key management personnel.

The following FRSs and amendment are mandatory for financial periods beginning on or after 1 January 2007:

a) FRS 6: Exploration for and Evaluation of Mineral Resources

This FRS is not relevant to the Group's operations.

b) Amendment to FRS 119: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

As the Group does not have any post employment defined benefit plan, the adoption of this amendment will not have any impact to the financial statements.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all of its subsidiary companies. The financial statements of the subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiary companies are those companies in which the Group has a long term equity interest, where it has power to exercise control over the financial and operating policies or controls the composition of the Board of Directors so as to obtain benefits therefrom.

The carrying amount of the Company's investment in subsidiary companies is eliminated on consolidation as well as all intragroup balances and transactions and resulting unrealised profits and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered.

Separate disclosure is made of minority interests that represents part of the net result of operations and the net assets of subsidiary companies attributable to interests which are not owned, directly or indirectly through subsidiary companies, by the Company.

Minority interests in the net income of the consolidated subsidiary companies for the reporting financial period are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The excess of cost of acquisition over the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition represents goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(f). The excess of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of acquisition is recognised in the income statement on the date of acquisition.

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. Prospective application of FRS 3 had no impact on the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Associated companies

Associated companies are those entities in which the Group hold a long term equity interest, have representation on the Board of Directors and are in a position to exercise significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associated companies. The equity method of accounting involves recognition of the Group's share of the results of associated companies in the consolidated income statement. The Group's investments in associated companies are carried in the consolidated balance sheet at an amount that reflects its share of net assets of the associated companies and goodwill on acquisition. Goodwill is not amortised.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(g).

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless costs cannot be recovered.

The reporting dates of the associated companies and the Group are identical and the associated companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group in the period prior to 1 October 2005 had adopted a policy not to equity account their investments in associated companies, as those investments were acquired with the objective of capital appreciation through the subsequent disposal of the investments. However, subsequently the Group intends to hold the investments for long term and also exercises significant influence through participation in the financial and operating policy decision of the investees. Accordingly, the Group has adopted a policy to equity account such investments. The effect of the above change has been accounted for through the statement of changes in equity whilst the share of results of the associated companies for the year ended 31 December 2005 has been accounted for prospectively in the income statement.

(b) Property, plant and equipment and depreciation

Property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment and depreciation (Cont'd)

Freehold land is not depreciated. Long term leasehold land is land held on long term lease with an unexpired period of 50 years or more. All leasehold land and buildings are depreciated over the period of lease (40 to 999 years).

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold buildings	2%
Plant and machinery	20%
Motor vehicles	15% - 20%
Office equipment	15% - 33 $\frac{1}{3}$ %
Furniture and fittings	10% - 15%
Renovations	10% - 15%

Building in progress and computer system in progress are not depreciated until they are ready for their intended use.

The residual values, useful life and depreciation method are reviewed at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(c) Investment property

Investment property, principally comprise of property held for long-term rental yields or capital appreciation or both and is not occupied by the Group. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(g).

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The adoption of FRS 140 has resulted in a change in accounting policy for investment property and a reclassification of certain property amounting to RM42,785,687 as at 31 December 2006 (31.12.2005: RM42,785,687) (Note 15) previously classified as property, plant and equipment to investment property. As the Group continue to apply cost model adopted when classified as property, plant and equipment, there is no financial implication upon such reclassification in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(g).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development cost not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

(e) Investments in subsidiary companies and associated companies

Investments in subsidiary companies and associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(g). Impairment loss is recognised in the income statement of the Company.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets

(i) Goodwill on consolidation, purchased goodwill and negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the assets, liabilities and contingent liabilities of the acquired subsidiary company/associated company/business at the date of acquisition. Goodwill on acquisition of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies is included in 'investments in associated companies'. Purchased goodwill represents the excess of the purchase price over the fair value of the attributable net assets of the business acquired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Prior to 1 January 2006, goodwill on consolidation and purchased goodwill were previously amortised through the consolidated income statement over 25 years. The adoption of FRS 3 and revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. This has the effect of reducing the amortisation charges of the Group by RM9,126,000 for the current year ended 31 December 2006. Goodwill on consolidation and purchased goodwill are now tested for impairment annually, or more frequently if events of changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in income statement and subsequent reversal is not allowed.

In accordance with the transitional provisions of FRS 3, the change in accounting policy has been accounted for prospectively for business combination where the agreement date is on or after 1 January 2006 as disclosed in Note 19(a).

Prior to 1 January 2006, negative goodwill (i.e. excess of Group's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost) was previously recognised as reserve on consolidation. The adoption of FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over of acquisitions, after reassessment, is now recognised immediately in income statement in accordance with transitional provisions of FRS 3 as disclosed in the consolidated statement of changes in equity.

(ii) Business and intellectual property

This represents amount paid to acquire business and intellectual property and are stated at cost less accumulated impairment losses. Amortisation was previously computed on a straight line basis over 7 years upon the commencement of commercial operation.

Prior to 1 January 2006, these assets were amortised on a straight line basis over the expected useful life of 7 years upon commencement of commercial operation of a financial services portal in a subsidiary company.

The Group has adopted a policy to cease annual amortisation for these assets. These assets are now carried at cost less accumulated impairment losses and tested for impairment annually. During the current year, the net carrying amount of business and intellectual property was written off.

(iii) Development cost

Development cost is recognised as an expense in the period in which it is incurred except when the cost incurred on the development projects is recognised as development asset to the extent that such expenditure is expected to generate future economic benefits. Development cost is stated at cost less accumulated impairment losses.

Prior to 1 January 2006, amortisation was previously recognised as an expense in the income statement based on a straight line basis over 7 years upon commencement of commercial operation where future economic benefits from development activities are probable and measurable. These assets are now carried at cost less accumulated impairment losses and tested for impairment annually. During the current year, the net carrying amount of development costs was written off.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(iv) Trading rights

The trading rights with the Stock Exchange of Hong Kong ("SEHK") and Hong Kong Futures Exchange Limited ("HKFE") are stated at cost less accumulated impairment losses. The trading rights have indefinite useful lives, until and unless modified by the respective exchanges.

Prior to 1 January 2006, trading rights in SEHK and HKFE were amortised using the straight line method over 5 years and 20 years, respectively.

The adoption of FRS 138 has resulted in the Group ceasing annual amortisation for trading rights. This has the effect of reducing the amortisation charges by RM54,888 in the current year ended 31 December 2006. These assets are now deemed to have indefinite useful life and is carried at cost less accumulated impairment losses. Trading rights are tested for impairment annually.

(v) Merchant bank licence

This represents contribution to Bank Negara Malaysia ("BNM") for a merchant bank licence to transform the stock broking subsidiary, OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB") from a Universal Broker into an Investment Bank. Merchant bank license has indefinite useful life and is stated at cost less accumulated impairment losses.

Merchant bank licence is not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in income statement.

(g) Impairment of assets

The carrying amounts of goodwill and other intangible assets, property, plant and equipment, investments in subsidiary and associated companies are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The recoverable amount is the greater of the asset's net selling price and its value in use, which is measured by reference to the discounted future cash flows. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment loss is recognised in the income statement immediately. In the event of recognition of an impairment loss, the depreciation charged for the asset will be adjusted in future periods to allocate the asset's revised carrying amount less its residual value on a systematic basis over its remaining useful life.

Impairment loss other than in respect of the goodwill is reversed when there has been a change in the estimates used to determine the asset's recoverable amount, which causes an increase in the recoverable amount. Impairment loss in respect of goodwill is not reversed in subsequent period.

Reversal of impairment loss of an asset other than goodwill is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognised previously.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Jointly controlled assets

The Group's interest in jointly controlled assets and liabilities arising from its joint venture arrangement has been accounted for in the financial statements using the line-by-line reporting format for proportionate consolidation.

(i) Cash flow statements and cash and cash equivalents

The cash flow statement is prepared using indirect method. Changes in cash and cash equivalents are classified into operating, investing and financing activities.

Cash and cash equivalents comprise cash in hand and at banks inclusive of bank balances held under Housing Development Accounts and Reserve Accounts, placements and deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value less bank overdrafts, excluding bank balances, placements and deposits under segregated accounts held in trust.

(j) Finance leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating lease.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balances of the liability. Finance charges are charged to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

(k) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(l) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Transactions in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Foreign currencies (Cont'd)

(ii) Transactions in foreign currencies (Cont'd)

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included as profit or loss in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised as profit or loss in the income statement.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised as profit or loss in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised as profit or loss in the income statement of the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Prior to 1 January 2006, goodwill arising on the acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on such an acquisition were deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisition. Upon the adoption of the revised FRS 121, goodwill and fair value adjustments arising on the acquisition of a foreign operation are now treated as assets and liabilities of the foreign operation and are translated at the closing rate. In accordance with the transitional provisions, the Group has applied this change in accounting policy prospectively to all acquisitions occurring after 1 January 2006. The change in accounting policy, therefore, has no impact on amounts reported for 2005 or prior periods and hence no restatement of comparatives.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Foreign currencies (Cont'd)

(ii) Transactions in foreign currencies (Cont'd)

The exchange rates used in translation are as follows:

	31.12.2006	31.12.2005
<u>Closing rate</u>		
United States Dollar ("USD")	3.53	3.78
Singapore Dollar ("SGD")	2.30	Not applicable
Hong Kong Dollar ("HKD")	0.45	0.49

(m) Recognition of fee and other income

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Income from the various business activities of the Group is recognised using the following bases:

- (i) Gross brokerage fees and commission, management fees from the management of unit trusts and private funds, margin interest and rollover fees (classified as carrying charges) and fees earned from the management of unit trust funds are recognised on an accrual basis.
- (ii) Arrangement, agency fees, placement fees and underwriting commission are recognised as income based on the terms of contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantees.
- (iii) Dividend income is recognised when the right to receive payment is established.
- (iv) Will writing fees, custodial and service charges on trustee and nominees services are recognised on an accrual basis upon performance of services.
- (v) Service charges from the sale of unit trusts is recognised upon allotment of units, net of cost of units sold.
- (vi) Other fees and commissions on services and facilities extended to customers are recognised on the inception of such transactions.
- (vii) Fees from advisory and corporate finance activities are recognised as income on the completion of each stage of the assignment.
- (viii) Rental income is recognised on an accrual basis when it falls due.
- (ix) Revenue from sale of development properties is accounted for by using the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the project can be reliably estimated.
- (x) Revenue from the sale of oil palm fresh fruit bunches is recognised when the goods are invoiced.
- (xi) Gain/(loss) on disposal of investments is recognised upon the transfer of risks and rewards of ownership.
- (xii) Other revenue is recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Recognition of interest income

Interest income from clients is generally recognised for all interest bearing assets on an accrual basis except when the receivable is classified as non-performing. Interest income from non-performing accounts will be suspended until it is realised on a cash basis, except for margin accounts where interest will be suspended until the account is reclassified as performing account. Classification as non-performing accounts is dealt with in accordance with the relevant rules of Bursa Securities.

Interest income on loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily.

When an account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than six (6) months from first day of default or after maturity date.

Interest income from fixed income instruments, short-term placements and fixed deposits with licensed financial institutions is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income on securities are recognised on an effective yield basis.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia and Singapore makes contributions to the respective statutory pension schemes, the Employees Provident Fund ("EPF") and the Central Provident Fund ("CPF"). The Hong Kong subsidiary companies made contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinances. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

The Group adopts an equity-settled, share-based compensation scheme. The adoption of FRS 2: Share-based Payment has resulted in a change in accounting policy for staff cost of the Group. The fair value of the share options issued by the Company to the Group's employees including directors of the Group is recognised as an expense in the income statement at the date of grant which is also the vesting date, with a corresponding increase in equity (Note 32). Prior to 1 January 2006, no compensation expense was recognised in the income statement for the share options granted.

The total amount to be recognised as compensation expense is now determined by reference to the fair value of the share options at the date of the grant and the number of share options granted and to be vested by the vesting date. The fair value of the share option is computed using a binomial model.

The change in accounting policy did not affect the retained profits nor any comparatives but has resulted in a decrease in profit for the year of RM2,859,275 (Note 8). Details of the Executive Share Option Scheme ("ESOS") of the Company are disclosed in Note 31.

Fair value of ESOS shares that have been exercised or lapsed are transferred to retained profits of the Group in the year the ESOS are exercised.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(q) Treasury shares

Treasury shares are shares repurchased and accounted for using the treasury stock method. The treasury shares are measured and carried at the cost of purchase which comprise the amount of the consideration paid and direct attributable costs.

The carrying amount of the treasury shares is offset against equity. The excess of the carrying amount over the share premium account is considered as a reduction of any other reserves.

The treasury shares can either be distributed as share dividends or reissued by resale in the open market. Where treasury shares are distributed as share dividends, the cost of the treasury shares is accounted for as a reduction of the share premium and/or distributable reserves in accordance with subsection 3D of Section 67 of the Companies Act, 1965. Where treasury shares are resold in the open market, no gain or loss is recognised and the differences between the sales considerations and the carrying amount of the treasury shares is recorded as a movement in equity.

Cancellation of treasury shares is dealt with in accordance with Section 67A of the Companies Act, 1965. The issued and paid-up share capital of the Company is diminished by the shares cancelled and the same amount of which is transferred to the Capital Redemption Reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(i) Other long term investments

Transferable golf memberships and Guarantee Fund and Admission Fee paid to the Hong Kong Securities Clearing Company Limited ("HKSCC") are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(g).

Quoted and unquoted shares, bonds, fixed income securities and warrants are stated at cost less allowance for diminution in value.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) Short term investments

Investment in marketable securities and unit trust funds are stated at the lower of cost and market value, determined on an aggregate portfolio basis. Cost is derived using the weighted average basis. Market value of marketable securities is calculated by reference to stock exchange quoted selling price at the close of business on the balance sheet date.

Indicative value of the unquoted private debt securities is calculated by reference to the price provided by the bonds information service provider at the close of business on the balance sheet date.

Reduction in the carrying amount of investments and the reversal of such reduction are taken to the income statement.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

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OSK Holdings Berhad

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Financial instruments (Cont'd)

(iii) Fund manager's stocks

Fund manager's stocks represent units held by a subsidiary company in unit trust funds and are stated at the lower of cost and market value. Cost is determined on a weighted average basis. Market value of trust units is based on the underlying value of the respective trust funds.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(iv) Receivables

Receivables are stated at gross amount less allowances for bad and doubtful debts and interest-in-suspense.

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified, at the balance sheet date.

Known bad debts are written off to income statement when identified.

Allowance for non-performing loan of the Malaysian stockbroking subsidiary is in conformity with the minimum requirements of Rule 1104 of Bursa Malaysia Securities Berhad.

(v) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(vi) Deposits and placements with/of banks and financial institutions

Deposits and placements with/of banks and financial institutions are stated at placement values.

(vii) Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of unaccredited discount and transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Financial instruments (Cont'd)

(viii) Seven (7) Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities ("BalDS")

The BalDS are bonds issued by a subsidiary company in accordance with the Islamic finance concept of Al-Bai' Bithaman Ajil. In accordance with such concept, the subsidiary company sold certain assets to the subscribers, and repurchased them at the same price plus an agreed profit margin. The subsidiary company's payment of the purchase price is deferred in accordance with the maturities of 4 to 7 years, whilst the profit on BalDS is paid half-yearly.

The transaction is treated as a financing arrangement for accounting purposes and the underlying liabilities are not derecognised in the consolidated balance sheet of the Group.

BalDS are initially stated at cost, being the fair value of the consideration received. After initial recognition, the difference between the fair value and purchase price together with the profit payment on the BalDS attributable to the BalDS in each period is recognised as an expense and accredited to principal amount at a constant rate to the maturity of each series respectively. Further details of BalDS are disclosed in Note 35.

(ix) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies were established to ensure adequate financial resources for business development and manage its credit, liquidity, cash flow, market, interest rate and currency risks. The Group manages and allocates its capital resources centrally to ensure that all business units of the Group maintain the required level of capital and prudent level of liquidity at all times. The Group operates within clearly defined guidelines that are approved by the Board of Directors and within the guidelines imposed by the relevant authorities in respect of firewall for the Universal Broker.

The Group's Malaysian stockbroking business is supervised by the Securities Commission and Bursa Securities. The Group is required to maintain capital adequacy requirements in accordance with the relevant rules of Bursa Securities.

The Group's policies in respect of the major areas of financial risk activities are set out as follows:

(a) Credit risk

Credit risk is the risk of default by clients. The Group conservatively manages its credit risk by controlling the granting of credit approvals, revision in limits and other monitoring procedures. Credit risk is minimised via emphasising the Group's associations with business partners of high credit worthiness. A credit approval authority limit structure approved by the Board of Directors is in place for granting credit facilities from the Group. Trade and financial receivables are monitored on a timely ongoing basis via group-wide management reporting procedures.

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4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit risk (Cont'd)

Allowances for bad and doubtful debts are made and interest income is suspended in accordance with the relevant rules of Bursa Securities (for the stockbroking subsidiary company) or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts. Write-off of debts against specific allowances are made only when avenues of recovery have been exhausted and the loans are deemed to be irrecoverable in the foreseeable future.

Exposure in credit risk also arises from risk of default in financial transactions with counter parties in debt instruments and money market activities. The exposure of such risk is mitigated via preventive risk measure in limiting the activities within pre set exposure in accordance to the Group's overall risk appetite.

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments.

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets and a flexible, cost-effective borrowing structure. The Group's policy seeks to ensure that all projected net borrowing needs are covered by committed facilities. Also, debt maturities are closely monitored to ensure that the Group is able to meet its obligations as and when they fall due and any refinancing needs are met.

The Group manages the funding needs and allocates funds in such manner that all business units maintain optimum levels of liquidity which are sufficient for their operations.

(c) Cash flow risk

Cash flow risk is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. Cash flow forecasts are prepared taking into account all major transactions. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term placements and fixed deposits as and when available with a wide array of licensed financial institutions at the most competitive interest rates obtainable.

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The Group participates in arbitrage activities involving derivatives. The risk of loss in value is minimised via adherence of qualifying criteria before making the investments and by continuous monitoring of the performance and medium term market risk of the investment limits set. Allowances are made in the income statement for adverse changes in the fair values of short to medium term investments whilst reversals are recognised to the extent of the allowances previously made. Except for fixed income instruments where accretion and amortisation are provided for long term investments, changes in the market values of other long term investments do not affect the book value of the investments unless there is an indication of diminution in value.

In respect of the Group's property development and investment activities, market risk arises from changes in the state of domestic property prices, the cost of building materials and other related cost in property development.

The Group minimises its exposure to adverse fluctuation in property value by continuous monitoring of the state of the property market. The Group concentrates on delivering development projects on selective prime areas and this strategy has resulted in better resilience against downswings of the property sector. Allowance for impairment losses will be made in the income statement when there is adverse changes in fair values of these properties. Reversals are made immediately to the extent of the allowances previously made in the income statement when the adverse condition which leads to the impairment of assets no longer exists.

4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Market risk (Cont'd)

The Group's exposure to commodity price risk through the sale of oil palm fresh fruit of the Group is minimal.

External conditions such as global and domestic economic climates that are generally unpredictable and uncontrollable may still affect the overall performance of the Group.

(e) Interest rate risk

Interest rate risk is the risk that the value or yield of a financial instrument will fluctuate due to changes in market interest rate. A mix of floating rate borrowings based on banks' base lending rates or cost of funds are set by the Group to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. The floating rate borrowings are monitored and negotiated according to changes in the interest rates to ensure that the Group benefits from enjoying the lowest possible finance cost. The Group does not generally hedge interest rate risks. However, hedging of risks through the use of medium term financial instruments may be adopted should its use result in cost savings. The Group has some investments in financial instruments where the value or yield will change in accordance to market interest rate. However, these investments are for short term and insignificant for hedging. Should the financial instruments become long term and significant, the hedging process will be initiated.

(f) Currency risk

The currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group.

Currency risks relating to operating activities in the ordinary course of business of the Group are minimal and hedged through operational course of business. Currency exposures arising on the holding of monetary assets and liabilities denominated in foreign currencies, mainly bank balances and deposits with financial institutions are deemed insignificant in relation to the Group's activities.

Foreign exchange translation differences arising on the consolidation of subsidiaries with Singapore Dollar and Hong Kong Dollar as functional currencies are recorded and disclosed as foreign exchange reserve as part of shareholders' fund of the Group. The Group does not hedge the value of its foreign currency denominated investments in subsidiaries.

Overseas businesses, by its nature, is subject to risks including, but not limited to changing economic conditions, changes in global political scenes, changes in financial and trade regulations and foreign exchange rate volatility. Overall, the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation as the Ringgit Malaysia is currently stable in comparison to other currencies where the Group has a long term interest via its overseas investment.

In dealing with its stewardship, the Board of Directors recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that any system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by its business units as well as regularly reviewing and enhancing risk mitigation strategies.

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5. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Advisory, arrangement and referral fees	16,782,952	8,727,503	-	-
Carrying charges and facility fees	8,205,322	10,361,147	-	-
Fair value gain on dilution of interests in an associated company	2,475,233	-	-	-
Gross dividends from:				
- investment in shares	168,543	1,261,199	124,556	107,232
- a quoted subsidiary company in Malaysia	-	-	29,369,577	4,500,205
- unquoted subsidiary companies in Malaysia	-	-	45,819,167	69,073,543
- an unquoted associated company in Malaysia	-	-	240,000	240,000
	168,543	1,261,199	75,553,300	73,920,980
Gross brokerage fees and commission	236,660,927	95,899,058	-	-
Gain on disposal of fixed income instruments	25,396,697	32,111,449	-	-
Interest income from:				
- clients	42,570,604	34,682,244	-	-
- short term placements and fixed deposits	11,392,996	8,941,405	45,815	365,780
- fixed income instruments	18,760,521	7,750,019	-	-
- subsidiary companies	-	-	291,747	1,435,801
	72,724,121	51,373,668	337,562	1,801,581
Fund manager's fees	26,003,545	21,522,355	-	-
Gain on disposal of:				
- quoted shares in an associated company	23,522,965	-	-	-
- other quoted securities	9,696,397	8,010,673	1,285,365	57,559
Processing fees	2,821,720	2,444,403	-	-
Placement fees	2,422,658	1,586,011	-	-
Property development revenue	67,976,329	71,838,292	-	-
Rental income	5,243,598	5,030,144	-	-
Revenue from sale of oil palm fresh fruit	695,872	526,336	-	-
Service charges on sale of trust units	40,196,289	17,908,151	-	-
Trustee, will-writing and custodian fees	1,551,240	663,557	-	-
Underwriting commission	4,692,373	3,289,943	-	-
Other revenue	2,725,571	3,336,154	-	-
	549,962,352	335,890,043	77,176,227	75,780,120

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6. DIRECT COSTS

Direct costs of the Group include the following:

		Group	
	Note	2006 RM	2005 RM
Commission to dealer's/futures broker representatives		63,300,709	20,656,745
Commission to unit trust/trustee agents		44,582,422	23,303,508
Fund manager's fees		6,056,317	4,713,058
Property development costs	16(b)	48,140,898	46,695,365
Referral fees		7,161,000	16,737,265
Securities Commission levy and trading fee		5,694,111	1,513,979
Share handling charges		1,286,424	723,094
Other direct costs		5,482,186	2,686,096
		181,704,067	117,029,110

7. OTHER INCOME

Other income comprised:

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for bad and doubtful debts written back					
- specific	24(b)	9,721,140	1,211,286	-	-
- general	24(c)	-	28,273	-	-
Bad debts recovered		64,963	719,093	-	-
Gain on disposal of plant and equipment		139,086	414,871	-	-
Gain on disposal of shares in Bursa Malaysia Berhad		-	11,564,881	-	-
Gain on disposal of quoted securities		497,378	-	-	-
Gain on foreign exchange realised		1,474,252	10,092	-	-
Gain on voluntary liquidation		10,043	-	-	-
Gross dividends from:					
- quoted securities					
in Malaysia		171,500	162,916	-	-
- unquoted securities					
in Malaysia		-	294,076	-	-
Negative goodwill recognised		144,926	-	-	-
Reversal of allowance for diminution in value of:					
- fund manager's stocks		4,353	3,339	-	-
- marketable securities		1,032,904	27,681	94,202	-
Interest income		799,460	1,139,014	-	-
Rental income from rubber plantation		252,692	228,556	-	-

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8. ADMINISTRATIVE EXPENSES

Administrative expenses include the following:

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration					
(i) Statutory audit					
- current year		674,839	265,041	30,000	27,000
- underprovision in prior year		-	8,870	-	-
(ii) Other services					
- current year		14,000	7,500	3,000	1,500
- underprovision in prior year		-	6,250	-	-
		688,839	287,661	33,000	28,500
Depreciation	14	13,150,227	11,466,161	-	-
Directors' remuneration	41(b)				
(i) Fees					
- current year		481,000	282,000	215,000	124,000
- underprovision in prior year		199,000	26,000	91,000	26,000
(ii) Other emoluments		10,776,488	6,226,000	-	-
(iii) Fair value of ESOS shares granted		404,275	-	-	-
		11,860,763	6,534,000	306,000	150,000
Rental of equipment		2,738,569	6,950,752	-	-
Rental of premises		6,626,848	4,836,398	-	-
Staff costs:					
- Employees' Provident Fund		9,648,354	6,563,567	-	-
- social security costs		569,743	524,618	-	-
- salaries, wages, allowances and bonus		90,545,259	57,331,397	-	-
- fair value of ESOS shares granted	31	2,455,000	-	-	-
- other staff related expenses		1,800,733	1,079,084	-	-
		105,019,089	65,498,666	-	-

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9. OTHER EXPENSES

Other expenses include the following:

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for bad and doubtful debts					
- specific	24(b)	9,309,261	4,706,602	-	-
- general	24(c)	25,457	-	-	-
Allowance for diminution in value of:					
- investment in an associated company	18(a)	23,574	-	787,549	-
- investment in unquoted shares	21	691,750	-	-	-
- marketable securities		-	571,860	-	165,625
Impairment loss on intangible assets	19(e)	87,325	-	-	-
Amortisation of:					
- business and intellectual property	19(c)	-	285,714	-	-
- development cost	19(d)	-	995,900	-	-
- goodwill on consolidation	19(a)	-	7,643,493	-	-
- MESDAQ admission fees		-	833	-	-
- trading rights		-	17,827	-	-
- purchased goodwill		-	2,395,698	-	-
		-	11,339,465	-	-
Bad debts written off		2,154,661	342,504	-	-
Loss on disposal of subsidiary companies		-	-	132,541	-
Loss on disposal of quoted securities:					
- in Malaysia		299,080	-	-	-
- outside Malaysia		130,600	45,103	-	-
Unrealised loss on foreign exchange		83,255	-	83,255	-
MESDAQ admission fees written off		-	153,966	-	-
Property, plant and equipment written off		821,025	840,820	-	-
Pre-operating expenses written off		2,994	16,216	-	-
Provision for interest cost and compensation for a legal suit	38,47(b)	2,158,778	2,158,779	-	-
Write off of:					
- business and intellectual property	19(c)	214,286	-	-	-
- development cost	19(d)	2,987,698	-	-	-
- goodwill on consolidation	19(a)	2,256,018	-	-	-

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10. FINANCE COSTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accretion of discount on BaIDS	1,867,461	1,364,602	-	-
Bank facilities commitment fees	4,488,345	4,922,801	4,384	-
Commission on letters of credit and bank guarantees	-	91,360	-	-
BaIDS expenses	99,717	179,367	-	-
Facility fee	1,430,500	-	1,430,500	-
Profit payment on BaIDS	3,500,000	3,962,773	-	-
Interest expense:				
- bank overdrafts/ revolving credits	7,937,533	7,563,079	270,685	-
- Redeemable Unsecured Bonds	-	577,057	-	577,057
- Irredeemable Convertible Unsecured Loan Stocks	-	899,288	-	899,288
- Commercial papers	1,497,699	-	-	-
- Inter-bank borrowings	3,594,451	-	-	-
- Subsidiary company	-	-	12,575	-
- Term loan	4,305,400	-	4,305,400	-
- Others	39,300	-	-	-
	17,374,383	9,039,424	4,588,660	1,476,345
	<u>28,760,406</u>	<u>19,560,327</u>	<u>6,023,544</u>	<u>1,476,345</u>

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11. INCOME TAX EXPENSE

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Current year:					
- Malaysian income tax		36,678,274	19,133,950	17,938,077	16,407,562
- Foreign income tax		4,759,066	-	-	-
		41,437,340	19,133,950	17,938,077	16,407,562
Overprovision in prior year:					
- Malaysian income tax		(9,911,172)	(8,846,230)	-	(46,320)
		31,526,168	10,287,720	17,938,077	16,361,242
Deferred taxation:					
Deferred tax assets	23(a)	221,929	(80,445)	-	-
Deferred tax liabilities	23(b)	(1,204,370)	(16,568)	-	-
		(982,441)	(97,013)	-	-
		30,543,727	10,190,707	17,938,077	16,361,242

Income tax expense for the Company is calculated based on the statutory income tax rate of Malaysia at 28% (2005: 28%) of the estimated taxable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

For the years of assessment 2005 and 2006, chargeable income of certain subsidiary companies (being residents in Malaysia with paid-up capital of less than RM2.5 million) are taxed at the following rates:

On the first RM500,000 : 20%

In excess of RM500,000 : 28%

Income tax rates applicable to the subsidiary companies in Hong Kong and Singapore are 17.5% (2005: 17.5%) and 20% (2005: Not applicable) respectively.

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11. INCOME TAX EXPENSE (CONT'D)

The reconciliation between the tax at statutory tax rate of 28% (2005: 28%) on the profit before taxation and the tax expense is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation ("PBT")	161,637,833	71,260,623	67,941,405	72,694,223
Tax at Malaysian statutory tax rate of 28% on PBT	45,258,593	19,952,974	19,023,593	20,354,382
Effect of:				
- Malaysian statutory tax rate of 20% on PBT	(25,956)	(179,897)	-	-
- different tax rates in foreign jurisdictions/other authority	(2,112,732)	80,702	-	-
- non-taxable income	(8,709,999)	(10,759,715)	(2,204,747)	(4,255,813)
- tax incentive in				
- foreign jurisdictions	(806,976)	-	-	-
- other authority	(750,955)	-	-	-
- non-deductible expenses	7,547,265	9,843,261	1,119,231	308,993
- lower tax rate on opening balance of deferred tax	(121,811)	-	-	-
Deferred tax asset (recognised)/ not recognised	(74,252)	422,740	-	-
Deferred tax recognised at different tax rate	(7,750)	-	-	-
Utilisation of tax losses and capital allowances not recognised in prior year	(84,139)	(934,530)	-	-
Over provision of tax in prior year	(9,911,172)	(8,846,230)	-	(46,320)
Underprovision of deferred tax in prior year	343,611	611,402	-	-
Income tax expense	30,543,727	10,190,707	17,938,077	16,361,242

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11. INCOME TAX EXPENSE (CONT'D)

Subject to agreement by the Inland Revenue Board:

- (i) as at 31 December 2006, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of dividend amounting to RM369,195,000 (2005: RM353,638,000) out of its retained profits as at 31 December 2006 without incurring additional tax liability.
- (ii) the Group has the following tax relief to offset against future taxable profits:

	2006 RM	2005 RM
Unabsorbed tax losses	17,014,860	17,670,384
Unutilised pioneer losses	-	878,919
Unabsorbed capital allowances	355,181	3,655,288
	<hr/> 17,370,041	<hr/> 22,204,591

Deferred tax assets have not been recognised in respect of unused tax losses of certain subsidiary companies amounting to RM15,407,908 (2005: RM16,899,446) and unabsorbed capital allowances of RM355,181 (2005: RM3,412,288) as they have arisen in subsidiary companies that have a recent history of losses. The availability of the unused tax losses for offsetting against future taxable profits of the subsidiary companies is subject to no substantial changes in shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act, 1967

Finexasia.com Sdn. Bhd. ("Finex"), a subsidiary company, was granted Multimedia Super Corridor status on 3 October 2000 by Multimedia Development Corporation, which entitles Finex to enjoy 5 years tax exemption (known as "pioneer period"). This commenced from 21 September 2001 as confirmed by the Ministry of International Trade and Industry. On 5 December 2006, Finex was granted an extension of another 5 years of tax exemption.

OSK Technology Ventures Sdn. Bhd. and OSK Ventures Equities Sdn. Bhd., wholly owned subsidiary companies of OSK Ventures International Berhad which is in turn a subsidiary company of the Company, have been granted the Venture Capital Company tax exemption incentive pursuant to the Income Tax (Exemption) (No. 3) Order 2001, which was repealed subsequently by Income Tax (Exemption) (No.11) Order 2005.

The Income Tax (Exemption) (No.11) Order 2005 exempts a Venture Capital Company ("VCC") from payment of tax in respect of statutory income on all sources of income (other than interest income arising from saving or fixed deposits and profits from syariah-based deposits) for 10 years if 70% of the invested funds of the VCC are invested in Venture Company and in the form of seed capital, start-up or early stage financing. The tax exempt status is subject to annual certification by Securities Commission ("SC"). For OSKTV and OSKVE, the tax exempt period is effective from YA 2002 to YA 2011 and from YA 2003 to YA 2012 inclusive respectively. On 5 June 2006, OSKVE had obtained the confirmation from SC in respect of YA 2005. OSKTV did not meet certain criteria for the exemption for YA 2005

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12. EARNINGS PER SHARE

	Group	
	2006	2005
(a) Basic earnings per share		
Profit attributable to equity holders (RM)	99,500,865	45,401,015
Weighted average number of ordinary shares in issue	608,543,788	596,421,457
Earnings per share (sen)	16.35	7.61

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue, net of the number of treasury shares adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	2006	2005
Profit attributable to equity holders (RM)	99,500,865	45,401,015
Weighted average number of ordinary shares in issue and issuable	608,543,788	596,421,457
Effect of dilution from assumed exercise of options granted under ESOS	1,572,526	-
Adjusted weighted average number of ordinary shares in issue and issuable	610,116,314	596,421,457
Diluted earnings per share (sen)	16.31	7.61

The outstanding 25,272,400 ESOS shares as at the end of the previous year (Note 31) had been excluded from the computation of fully diluted earnings per RM1.00 ordinary share as their conversion to ordinary shares were anti-dilutive.

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13. DIVIDENDS

		Amount		Net dividend per share	
	Note	2006 RM	2005 RM	2006 Sen	2005 Sen
Recognised during the year					
For the year ended					
31 December 2004					
Final dividend of 1 treasury share for every 45 ordinary shares held, 13,573,888 shares were distributed on 19 May 2005	30,32	-	20,892,837	-	Not applicable
For the year ended					
31 December 2005					
Interim dividend of 2.5 sen per share less 28% income tax, paid on 28 October 2005		-	10,996,999	-	1.80
Final dividend of 5.0 sen per share less 28% income tax, paid on 3 May 2006		21,976,931	-	-	3.60
For the year ended					
31 December 2006					
Interim dividend of 5.0 sen per share less 28% income tax, paid on 13 October 2006		21,835,207	-	3.60	-
		43,812,138	10,996,999		
Proposed for approval at					
AGM (not recognised					
as at 31 December 2006)					
For the year ended					
31 December 2006					
Final dividend of 7.5 sen per share less 27% income tax (based on 613,626,117 ordinary shares as at 27 February 2007)		33,596,030	-	5.48	-
		77,408,168	10,996,999	9.08	5.40

At the forthcoming Annual General Meeting, a final dividend of 7.5 sen less 27% income tax in respect of the year ended 31 December 2006 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2007.

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14. PROPERTY, PLANT AND EQUIPMENT - GROUP

	As at 1.1.2006 (restated) RM	Additions RM	Disposals RM	Reclassi- fication upon completion RM	Acquisition of subsidiary company RM	Written off RM	Foreign exchange difference RM	As at 31.12.2006 RM
2006								
At cost								
Freehold land	1,564,521	-	-	-	-	-	-	1,564,521
Freehold land and buildings**	105,334,400	-	-	1,998,000	-	-	-	107,332,400
Long term leasehold land	2,142,063	-	-	-	-	-	-	2,142,063
Long term leasehold land and buildings†	17,731,170	-	-	-	-	-	-	17,731,170
Short term leasehold land and buildings	2,740,869	-	-	-	-	-	-	2,740,869
Building in progress	735,300	3,217,153	-	(1,998,000)	-	-	-	1,954,453
Plant and machinery	6,760	30,225	-	-	-	-	-	36,985
Motor vehicles	9,992,940	1,268,293	(860,157)	-	1,066,648	-	11,707	11,479,431
Office equipment	60,169,862	8,788,403	(7,389,778)	-	14,691,685	(259,785)	85,797	76,086,184
Furniture and fittings	13,735,448	1,086,729	(623,296)	-	1,654,530	(248,572)	9,110	15,613,949
Renovations	20,359,326	2,555,751	(1,906,630)	-	9,901,720	(1,071,241)	91,330	29,930,256
	234,512,659	16,946,554	(10,779,861)	-	27,314,583	(1,579,598)	197,944	266,612,281

* Cost of RM42,785,687 was reclassified from freehold land and buildings to investment property (Note 15) as disclosed in Note 3(c) and Note 51.

† Cost of RM8,626,366 was reclassified from freehold land and buildings to long term leasehold land and buildings in respect of a leasehold land with a lease period of 999 years.

	As at 1.1.2006 (restated) RM	Charge for the year RM	Reversal for disposals RM	Acquisition of subsidiary company RM	Written off RM	Foreign exchange difference RM	As at 31.12.2006 RM
Accumulated depreciation							
Freehold land	-	-	-	-	-	-	-
Freehold land and buildings**	2,754,027	1,262,999	-	-	-	-	4,017,026
Long term leasehold land	69,101	23,034	-	-	-	-	92,135
Long term leasehold land and buildings*	340,788	304,850	-	-	-	-	645,638
Short term leasehold land and buildings	530,962	68,523	-	-	-	-	599,485
Building in progress	-	-	-	-	-	-	-
Plant and machinery	4,408	3,882	-	-	-	-	8,290
Motor vehicles	5,257,787	1,461,658	(699,435)	361,767	-	3,239	6,385,016
Office equipment	42,773,984	6,596,265	(7,120,930)	12,807,892	(476,939)	119,486	54,699,758
Furniture and fittings	7,672,375	1,186,702	(617,660)	1,637,809	(75,800)	11,375	9,814,801
Renovations	8,986,536	2,242,314	(1,814,009)	9,539,007	(440,076)	100,075	18,613,847
	68,389,968	13,150,227	(10,252,034)	24,346,475	(992,815)	234,175	94,875,996

† Accumulated depreciation as at 1 January 2006 of RM152,000 was reclassified from freehold land and buildings to long term leasehold land and buildings in respect of a leasehold land with a lease period of 999 years.

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14. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

	As at 1.1.2005	Additions	Disposals	Acquisition of subsidiary company	Written off	Foreign exchange difference	As at 31.12.2005
2005 (Restated) At cost	RM	RM	RM	RM	RM	RM	RM
Freehold land	1,564,521	-	-	-	-	-	1,564,521
Freehold land and buildings**†	105,133,400	201,000	-	-	-	-	105,334,400
Long term leasehold land	2,142,063	-	-	-	-	-	2,142,063
Long term leasehold land and buildings†	17,731,170	-	-	-	-	-	17,731,170
Short term leasehold land and buildings	2,740,869	-	-	-	-	-	2,740,869
Building in progress	-	735,300	-	-	-	-	735,300
Plant and machinery	4,960	1,800	-	-	-	-	6,760
Motor vehicles	9,674,773	2,024,336	(1,602,712)	-	(103,457)	-	9,992,940
Office equipment	54,856,706	5,245,201	(7,981)	9,793	(45,827)	111,970	60,169,862
Furniture and fittings	12,059,536	1,708,117	(10,160)	23,741	(130,916)	85,130	13,735,448
Renovations	18,967,041	2,459,844	(29,687)	22,527	(1,067,559)	7,160	20,359,326
	224,875,039	12,375,598	(1,650,540)	56,061	(1,347,759)	204,260	234,512,659

* Cost of RM42,785,687 was reclassified from freehold land and buildings to investment property (Note 15) as disclosed in Note 3(c) and Note 51.

† Cost of RM8,626,366 was reclassified from freehold land and buildings to long term leasehold land and buildings in respect of a leasehold land with a lease period of 999 years.

	As at 1.1.2005	Charge for the year	Reversal for disposals	Acquisition of subsidiary company	Written off	Foreign exchange difference	As at 31.12.2005
Accumulated depreciation	RM	RM	RM	RM	RM	RM	RM
Freehold land	-	-	-	-	-	-	-
Freehold land and buildings*	1,407,309	1,346,718	-	-	-	-	2,754,027
Long term leasehold land	46,067	23,034	-	-	-	-	69,101
Long term leasehold land and buildings*	131,938	208,850	-	-	-	-	340,788
Short term leasehold land and buildings	462,440	68,522	-	-	-	-	530,962
Building in progress	-	-	-	-	-	-	-
Plant and machinery	3,608	800	-	-	-	-	4,408
Motor vehicles	5,422,751	1,263,675	(1,363,978)	-	(64,661)	-	5,257,787
Office equipment	37,096,070	5,598,488	(5,852)	-	(26,825)	112,103	42,773,984
Furniture and fittings	6,552,207	1,073,815	-	-	(38,882)	85,235	7,672,375
Renovations	7,473,533	1,882,259	-	-	(376,571)	7,315	8,986,536
	58,595,923	11,466,161	(1,369,830)	-	(506,939)	204,653	68,389,968

* Accumulated depreciation as at 1 January 2005 of RM56,000 and depreciation charge in respect of the year ended 31 December 2005 of RM96,000 were reclassified from freehold land and buildings to long term leasehold land and buildings in respect of a leasehold land with a lease period of 999 years.

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OSK Holdings Berhad

14. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

	Net carrying value	
	31.12.2006 RM	31.12.2005 RM
Freehold land	1,564,521	1,564,521
Freehold land and buildings	103,315,374	102,580,373
Long term leasehold land	2,049,928	2,072,962
Long term leasehold land and buildings	17,085,532	17,390,382
Short term leasehold land and buildings	2,141,384	2,209,907
Building in progress	1,954,453	735,300
Plant and machinery	28,695	2,352
Motor vehicles	5,094,415	4,735,153
Office equipment	21,386,426	17,395,878
Furniture and fittings	5,799,148	6,063,073
Renovations	11,316,409	11,372,790
	<u>171,736,285</u>	<u>166,122,691</u>

The title of freehold land and building with a carrying amount of RM1,998,000 (2005: Nil) is in the process of being transferred to OSK Properties Sdn Bhd, an indirect subsidiary company.

During the year, plant and equipment of the Group at aggregate costs of RM2,345,683 (2005: Nil) were acquired under finance lease arrangement and RM14,600,871 were acquired by cash. Net carrying amount of plant and equipment held under finance lease arrangement was RM2,028,670 (2005: Nil) as disclosed in Note 36.

The building in progress of the Group is a self-constructed building in progress by OSK Properties Sdn Bhd, an indirect subsidiary company via interest in OSK Property Holdings Berhad, to construct 1 unit of single storey detached building at total estimated construction cost of RM3,376,016. As at 31 December 2006, the construction cost recognised and capitalised is RM1,650,883. The balance of RM1,725,133 is disclosed as capital commitment in Note 42(a).

15. INVESTMENT PROPERTY

	Note	Group	
		2006 RM	2005 RM
Freehold land, at cost	3(c),51	<u>42,785,687</u>	<u>42,785,687</u>

The investment property generated rental income of RM819,150 (2005: RM762,000) and incurred direct expenses of RM37,695 (2005: RM37,299) for the year.

The fair value of the investment property as at 31 December 2006 amounting to approximately RM75,000,000. The fair value was estimated by the Directors based on the market value for similar property in the same vicinity that have been transacted in the open market and no valuation was performed by independent valuer.

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OSK Holdings Berhad

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development, at cost

	Note	Group 2006 RM	2005 RM
Freehold land			
At beginning of year		126,209,748	125,463,784
Purchase of land and other costs incurred*		22,130,401	2,800,574
Transfer to property development costs	16(b)	(17,553,562)	(2,054,610)
At end of year		130,786,587	126,209,748
Development costs			
At beginning of year		58,500,363	51,405,578
Costs incurred		11,301,683	8,537,553
Transfer to amount due from a joint venture project		(128,869)	(49,040)
Transfer to property development costs	16(b)	(9,657,533)	(1,393,728)
At end of year		60,015,644	58,500,363
Total land held for property development		190,802,231	184,710,111

* Inclusive of purchase consideration of RM21,150,000 [Note 45(c)] and incidental costs of RM980,401.

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OSK Holdings Berhad

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

(b) Property development costs

	Note	Group 2006 RM	2005 RM
Freehold land			
At beginning of year		27,194,436	27,750,728
Costs incurred		-	221,821
Transfer from land held for property development	16(a)	17,553,562	2,054,610
Reversal of development expenditure for completed projects		-	(2,832,723)
At end of year		44,747,998	27,194,436
Development costs			
At beginning of year		240,342,724	291,076,606
Cost incurred		45,570,355	44,193,396
Transfer from land held for property development	16(a)	9,657,533	1,393,728
Transfer to amount due to a joint venture project		(9,665,208)	(8,161,081)
Reversal of development expenditure for completed projects		-	(88,159,925)
At end of year		285,905,404	240,342,724
Total property development costs incurred to date		330,653,402	267,537,160
Costs recognised in income statement:			
At beginning of year		(211,156,565)	(255,453,850)
Recognised as expense	6	(48,140,898)	(46,695,365)
Reversal of development expenditure for completed projects		-	90,992,648
At end of year		(259,297,463)	(211,156,567)
Total property development costs		71,355,939	56,380,593

Included in property development costs of the Group incurred during the year is interest capitalised of RM902,890 (2005: RM67,492).

Included in land held for property development and property development costs is freehold land with cost of RM12,500,000 (2005: RM12,500,000) registered under the name of a third party. Title will be transferred directly to the respective purchasers upon the sale of the completed properties.

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OSK Holdings Berhad

17. SUBSIDIARY COMPANIES

(a) Investments in subsidiary companies

	Company	
	2006	2005
	RM	RM
At cost:		
Quoted shares in Malaysia	297,191,363	275,336,617
Unquoted shares in Malaysia	929,752,234	839,187,334
Unquoted shares outside Malaysia	-	22,496,645
	<hr/>	<hr/>
	1,226,943,597	1,137,020,596
	<hr/>	<hr/>
At market value:		
Quoted shares in Malaysia	350,375,252	269,285,492
	<hr/>	<hr/>

The particulars of the subsidiary companies are disclosed in Note 48.

The Company has pledged its investment in 130,000,000 unquoted ordinary shares of a subsidiary company, OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB"), with a carrying amount of RM130,000,000, to a licensed bank for the syndicated term loan as disclosed in Note 33.

(i) Acquisition of subsidiary company during the year ended 31 December 2006

On 31 March 2006, OSKIB, a subsidiary company of the Company, completed the acquisition of 51% equity interest in DMG & Partners Securities Pte Ltd ("DMG"), a company incorporated in Singapore, which comprises 15,300,000 ordinary shares of SGD1 each for a total cash consideration of RM117,597,328.

The cost of acquisition and cash outflow on acquisition are as follows:

	RM
Purchase consideration satisfied by cash	117,046,206
Costs attributable to the acquisition, paid in cash	551,122
	<hr/>
Total cost of acquisition	117,597,328
Cash and cash equivalents of subsidiary company acquired	(72,596,081)
	<hr/>
Net cash outflow of the Group	45,001,247
	<hr/>

DMG had contributed the following financial results to the Group:

	31.3.2006 to 31.12.2006 RM
Revenue	75,943,916
Profit before taxation	22,719,029
Profit for the period	19,102,191
	<hr/>

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OSK Holdings Berhad

17. SUBSIDIARY COMPANIES (CONT'D)

(a) Investments in subsidiary companies (Cont'd)

(i) Acquisition of subsidiary company during the year ended 31 December 2006 (Cont'd)

If the acquisition had been effected on 1 January 2006, the financial results contributed by DMG for the year ended 31 December 2006 would have been:

	1.1.2006 to 31.12.2006 RM
Revenue	103,829,752
Profit before taxation	30,694,281
Profit for the year	<u>25,478,427</u>

The fair values of assets and liabilities recognised upon acquisition on the date of completion were as follows:

	Note	As at 31.3.2006 RM
Property, plant and equipment		2,968,107
Other investments		2,246,945
Trade and other receivables		1,104,938,959
Deferred tax assets	23(a)	149,736
Cash and bank balances		
- General accounts		86,900,084
- Segregated accounts		43,494,994
Trade and other payables		(1,042,690,855)
Short term borrowings		(14,304,003)
Tax payable		(7,136,303)
Fair value of total net assets		<u>176,567,664</u>
Minority interests		(86,518,156)
Group's share of net assets		<u>90,049,508</u>
Add: Goodwill on consolidation	19(a)	<u>27,547,820</u>
Purchase consideration		<u>117,597,328</u>

Notes to the Financial Statements

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OSK Holdings Berhad

17. SUBSIDIARY COMPANIES (CONT'D)

(a) Investments in subsidiary companies (Cont'd)

(i) Acquisition of subsidiary companies during the year ended 31 December 2005

From 15 July 2005 up to 28 November 2005, OSK Asia Holdings Limited ("OSKAH"), a subsidiary company incorporated in Hong Kong, acquired three subsidiary companies for the following consideration:

	RM
Purchase consideration satisfied by:	
Cash	6,410,724
Shares in OSKAH	1,467,300
	<hr/> 7,878,024
Cash flow arising from acquisition:	
Purchase consideration satisfied by cash	6,410,724
Cash and cash equivalent of subsidiary company acquired	(3,192,415)
	<hr/> 3,218,309

The acquisition had the following effect on the Group's financial results for the previous year:

	15.07.2005 to 31.12.2005 RM
Revenue	3,014,692
Loss before taxation	(713,204)
Loss for the year	(713,204)

If the acquisition had been effected on 1 January 2005, the financial results contributed by OSKAH for the year ended 31 December 2005 would have been:

	1.1.2005 to 31.12.2005 RM
Revenue	3,484,794
Loss before taxation	(1,613,847)
Loss for the year	(1,613,847)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies were as follows:

	Note	As at 15.7.2005 RM
Property, plant and equipment		56,061
Other investments		48,910
Trade and other receivables		13,604,380
Cash and bank balances		3,192,415
Tax recoverable		189,744
Trade and other payables		(9,735,866)
		<hr/> 7,355,644
Group's share of net assets		7,355,644
Add: Goodwill on consolidation	19(a)	522,380
		<hr/> 7,878,024
Purchase consideration		<hr/> 7,878,024

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OSK Holdings Berhad

17. SUBSIDIARY COMPANIES (CONT'D)

(a) Investments in subsidiary companies (Cont'd)

(ii) Effect of acquisition of additional shares in subsidiary companies

During the year, the Group had purchased additional shares in existing subsidiary company, OSKVI as disclosed in Notes 45(t) (2005: purchased additional shares in OSKPH and OSKVI). These subscription of shares had the following effects:

		Group	
	Note	2006 RM	2005 RM
Net assets acquired from minority interests		18,010,126	14,357,013
Goodwill on consolidation	19(a)	3,844,620	-
Reserve on consolidation		-	(7,694,592)
		<hr/>	<hr/>
Cash outflow on acquisition		21,854,746	6,662,421
		<hr/>	<hr/>

(iii) Disposal of OSK Asia Holdings Limited ("OSKAH") and OSK Futures and Options Sdn Bhd ("OSKFO") to a subsidiary, OSKIB

On 28 August 2006, the Company completed the disposal of 50,000,000 ordinary shares of HKD1 each, representing 75.76% equity interest in OSKAH to OSKIB, a wholly-owned subsidiary of the Company for a consideration of RM23,404,130. Effectively, OSKAH has become an indirect subsidiary of the Company.

On 22 September 2006, the Company completed the disposal of OSKFO to OSKIB, a wholly-owned subsidiary of the Company, of 10 million ordinary shares of RM1 each of OSKFO, representing 100% equity interest in OSKFO for a consideration of RM10,827,174. Effectively, OSKFO has become an indirect subsidiary of the Company.

The total consideration of RM34,231,304 from the above disposals were settled by way of offsetting amount owing to OSKIB.

(b) Amounts due from subsidiary companies

	Company	
	2006 RM	2005 RM
Interest bearing	22,447,801	10,006,652
Non interest bearing	10,183,492	10,535,195
	<hr/>	<hr/>
	32,631,293	20,541,847
	<hr/>	<hr/>

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing portion was charged interest at 2.75% to 5.35% (2005: 2.75%) per annum.

Notes to the Financial Statements

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OSK Holdings Berhad

17. SUBSIDIARY COMPANIES (CONT'D)

(c) Amounts due to subsidiary companies

	Company	
	2006 RM	2005 RM
Interest bearing	30,000,000	-
Non interest bearing	2,667,964	53,088,031
	<u>32,667,964</u>	<u>53,088,031</u>

The amounts due to subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing portion was charged interest at 5.10% (2005: Nil) per annum.

18. ASSOCIATED COMPANIES

(a) Investments in associated companies

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Shares at cost				
In Malaysia:				
- Quoted	134,176,743	123,400,425	-	-
- Unquoted	1,987,550	1,987,550	1,987,550	1,987,550
Allowance for diminution in value	(23,574)	-	(787,549)	-
	<u>1,963,976</u>	<u>1,987,550</u>	<u>1,200,001</u>	<u>1,987,550</u>
Outside Malaysia:				
- Quoted	5,588,213	-	-	-
- Unquoted	21,346,041	159	-	-
	<u>163,074,973</u>	<u>125,388,134</u>	<u>1,200,001</u>	<u>1,987,550</u>
Share of post-acquisition results and reserves	62,008,880	15,936,270	-	-
	<u>225,083,853</u>	<u>141,324,404</u>	<u>1,200,001</u>	<u>1,987,550</u>
At market value:				
Quoted Shares:				
- In Malaysia	437,253,346	224,878,697	-	-
- Outside Malaysia	44,292,000	-	-	-
	<u>481,545,346</u>	<u>224,878,697</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

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OSK Holdings Berhad

18. ASSOCIATED COMPANIES (CONT'D)

(a) Investments in associated companies (Cont'd)

The proportion of voting power held is equivalent to the proportion of ownership interest in the associated companies and the particulars of the associated companies are disclosed in Note 48(k) and (l).

The summarised financial information of the associated companies:

	2006 RM	2005 RM
Aggregated results (100%)		
Revenue	279,277,395	143,095,964
Profit for the year	100,072,912	59,813,217
	<hr/>	<hr/>
Aggregated assets and liabilities (100%)		
Current assets	576,674,504	201,717,261
Non-current assets	285,271,819	81,576,806
	<hr/>	<hr/>
Total assets	861,946,323	283,294,067
	<hr/>	<hr/>
Current liabilities	(131,506,705)	(48,924,507)
Non-current liabilities	(18,786,589)	(220,000)
	<hr/>	<hr/>
Total liabilities	(150,293,294)	(49,144,507)
	<hr/>	<hr/>

The details of goodwill included in the Group's carrying amount of investments in associated companies are as follows:

	RM
At cost/carrying amount	
At 1 January 2005	8,872,350
Arising from investments in associated companies	84,978,093
	<hr/>
At 31 December 2005/1 January 2006	93,850,443
Arising from investments in associated companies	857,373
	<hr/>
At 31 December 2006	94,707,816
	<hr/>

During the year, the Group disposed part of its equity interests in Green Packet Berhad and gained additional equity interests by way of partial conversion of an unquoted investment in debt instruments into ordinary shares of Green Packet Berhad.

During the year, the Group acquired its equity interest in GMO Limited by way of a share swap of its existing interest in GMO Global Limited. The equity interest was subsequently diluted due to the listing of GMO Limited on the Alternative Investment Market of the London Stock Exchange [Note 45(i)].

(b) Amount due to an associated company

The amount due to an associated company, UOB-OSK Asset Management Sdn. Bhd., relates to management fee payable and is unsecured, interest free and the normal credit term is 90 days (2005: 90 days).

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OSK Holdings Berhad

19. INTANGIBLE ASSETS

		Group	
	Note	2006 RM	2005 RM
Goodwill on consolidation	(a)	148,897,677	119,426,817
Purchased goodwill	(b)	46,516,468	46,516,468
Business and intellectual property	(c)	-	214,286
Development costs	(d)	-	2,987,698
Trading rights	(e)	437,676	415,106
Merchant bank licence	(f)	52,500,000	-
		<hr/>	<hr/>
		248,351,821	169,560,375
		<hr/>	<hr/>

(a) Goodwill on consolidation

		Group	
	Note	2006 RM	2005 RM
At cost:			
At beginning of year		153,125,300	152,604,589
Subsidiary companies acquired	17(a)(i)	27,547,820	522,380
Acquisition of additional shares in subsidiary company	17(a)(ii)	3,844,620	-
Set off in accordance with FRS 3	3(f)(i)	(33,698,483)	-
Write off	9	(2,256,018)	-
Foreign exchange difference		334,438	(1,669)
		<hr/>	<hr/>
At end of year		148,897,677	153,125,300
		<hr/>	<hr/>
Accumulated amortisation:			
At beginning of year		(33,698,483)	(26,054,989)
Amortisation	9	-	(7,643,493)
Foreign exchange difference		-	(1)
Set off in accordance with FRS 3	3(f)(i)	33,698,483	-
		<hr/>	<hr/>
At end of year		-	(33,698,483)
		<hr/>	<hr/>
Net carrying value		148,897,677	119,426,817
		<hr/>	<hr/>

During the year, the net carrying amount of the goodwill on consolidation in respect of a subsidiary group, Finexasia.com Sdn Bhd has been written off due to the rate of changes in technology.

Notes to the Financial Statements

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OSK Holdings Berhad

19. INTANGIBLE ASSETS (CONT'D)

(b) Purchased goodwill

	Note	Group 2006 RM	2005 RM
At cost:			
At beginning of year		59,892,449	59,892,449
Set off in accordance with FRS 3	3(f)(i)	(13,375,981)	-
At end of year		46,516,468	59,892,449
Accumulated amortisation:			
At beginning of year		(13,375,981)	(10,980,283)
Amortisation	9	-	(2,395,698)
Set off in accordance with FRS 3	3(f)(i)	13,375,981	-
At end of year		-	(13,375,981)
Net carrying value		46,516,468	46,516,468

The purchased goodwill represents the excess of the total cash consideration paid by OSKIB over the fair value of attributed net assets of the entire stockbroking business of Premier Capital Securities Sdn. Bhd. that was completed on 19 June 2000.

(c) Business and intellectual property

	Note	Group 2006 RM	2005 RM
At cost:			
At beginning of year		500,000	500,000
Write off	9	(500,000)	-
At end of year		-	500,000
Accumulated amortisation:			
At beginning of year		(285,714)	-
Write off/(amortisation)	9	285,714	(285,714)
At end of year		-	(285,714)
Net carrying value		-	214,286

Business and intellectual property were attributable to a subsidiary, Finexasia.com Sdn. Bhd. and was written off due to the rate of technology changes.

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OSK Holdings Berhad

19. INTANGIBLE ASSETS (CONT'D)

(d) Development costs

	Note	Group 2006 RM	2005 RM
At cost:			
At beginning of year		6,971,295	6,971,295
Write off	9	(6,971,295)	-
At end of year		-	6,971,295
Accumulated amortisation:			
At beginning of year		(3,983,597)	(2,987,697)
Write off/(amortisation)	9	3,983,597	(995,900)
At end of year		-	(3,983,597)
Net carrying value		-	2,987,698

Development costs were attributable to a subsidiary, Finexasia.com Sdn. Bhd. and was written off due to the rate of technology changes.

(e) Trading rights

	Note	Group 2006 RM	2005 RM
At cost:			
At beginning of year		432,933	-
Addition		135,150	432,933
Set off in accordance with FRS 138		(17,827)	-
Foreign exchange difference		(25,255)	-
At end of year		525,001	432,933
Accumulated amortisation:			
At beginning of year		(17,827)	-
Amortisation	9	-	(17,827)
Set off in accordance with FRS 138		17,827	-
At end of year		-	(17,827)
Accumulated impairment:			
Impairment charge/At end of year	9	(87,325)	-
Net carrying value		437,676	415,106

These represent price paid for the acquisition of trading rights in the Stock Exchange of Hong Kong and Hong Kong Futures Exchange Limited by subsidiary companies in Hong Kong. Trading rights are considered to have indefinite useful life, which are not amortised and are assessed for impairment annually.

(f) Merchant bank licence

This represents contribution to Bank Negara Malaysia for a merchant bank licence to transform OSKIB from a Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

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OSK Holdings Berhad

20. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIFE

Goodwill acquired through business combinations and trading rights have been allocated to four of the individually material cash-generating units ("CGU"), which are reportable segments, for impairment testing as follows:

- *Malaysian Universal Broker ("UB") CGU*

The recoverable amount of the UB CGU has been determined based on a value in use calculation using cash flow projections based on financial projections approved by management covering a five-year period. The discount rate applied to cash flow projections is 8% and cash flows beyond the 5-year period are estimated as a terminal value computed by discounting future cash flows to present value.

Purchased goodwill is attributable to one of the three stockbroking trading licences purchased by OSKIB. The recoverable amount of the UB CGU is compared to the total carrying amount of 3 trading licences, including two stockbroking trading licences that were purchased by and assessed for impairment by the Company.

- *Singapore stockbroking CGU*

The recoverable amount of the Singapore CGU has been determined based on a value-in-use calculation using 5-year cash flow projections based on financial projections approved by management covering 5-year period and discount rate of 8% is applied.

- *Hong Kong stockbroking CGU*

The recoverable amount of the Hong Kong CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budget approved by management covering a year period and discount rate of 4% is applied.

- *Malaysian property development CGU*

The recoverable amount of the property development CGU has been determined based on the budgeted cash flow projections of the remaining phases of a development project over the remaining development life cycle up to completion date.

Carrying amount of goodwill allocated to each of the material CGUs are as follows:

	Goodwill on consolidation [Note 19(a)] RM	Purchased Goodwill [Note 19(b)] RM	Total RM
Malaysian UB CGU	109,861,218	46,516,468	156,377,686
Singapore stockbroking CGU	27,850,170	-	27,850,170
Hong Kong stockbroking CGU	552,449	-	552,449
Malaysian property development CGU	6,682,373	-	6,682,373
OSK Ventures International Berhad ("OSKVI") CGU	3,844,620	-	3,844,620
Others	106,847	-	106,847
	148,897,677	46,516,468	195,414,145

20. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIFE (CONT'D)

Key assumptions used in value in use calculation of UB CGU:

The goodwill attributable to the Malaysian UB CGU comprises the 3 trading licences acquired as stated below that has enabled a stockbroking subsidiary company to be eligible for its Universal Broker status:

<u>Trading licence</u>	<u>Classification</u>
Premier Capital Securities Sdn. Bhd.	Purchased goodwill
OSK Securities (Melaka) Sdn. Bhd.	Goodwill on consolidation
KE-ZAN Securities Sdn. Bhd.	Goodwill on consolidation

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill attributable to its Malaysian UB CGU include:

- *Budgeted gross brokerage rate* - The basis used to determine the value assigned to the budgeted gross brokerage rate is lower than the average gross margin achieved in the year immediately before the budgeted year, due to the commission rate pressure.
- *Budgeted margin interest rate* - The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation or expansion of the planned investment banking business.

Key assumptions used in calculating value in use of Malaysian property development CGU:

- *Budgeted profit margin* - The expected profit margin from the continued development of a property development project in Sungai Petani will not be lower than the historical profit margin achieved on the phases that had been developed and sold.
- *Budgeted profit* - The remaining profit from the development project is not lower than the carrying amount of the goodwill on consolidation of RM6,682,373.

Key assumptions used in value in use calculation of Singapore stockbroking CGU ("DMG"):

- *Budgeted gross brokerage rate* - The basis used to determine the value assigned to the budgeted gross brokerage rate is same as the average gross margin achieved in the year immediately before the budgeted year.
- *Budgeted margin interest rate* - The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation.

Key assumptions used in value in use calculation of Hong Kong stockbroking CGU ("OSKAS"):

- *Budgeted gross margin rate* - This is determined based on the CGU's past performance and management's expectation for the market development.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation.

Recoverable amount of OSKVI CGU:

The goodwill on consolidation attributable to OSKVI CGU is compared to the market price of OSKVI which is higher than the carrying amount of the Company's investments in OSKVI.

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21. OTHER LONG TERM INVESTMENTS

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
At cost:					
<u>In Malaysia</u>					
Quoted shares		6,875,197	10,817,632	-	-
Quoted warrants	(a)	-	-	9,617,750	9,617,750
Unquoted shares					
- Malaysian Rating Corporation Berhad		490,000	490,000	-	-
- Preference shares in Bursa Malaysia Derivatives Berhad					
- Class "A"		1,500,000	1,500,000	-	-
- Class "B"		500,000	500,000	-	-
- Class "C"		200,000	200,000	-	-
- Redeemable convertible preference shares		-	5,000,000	-	-
		2,690,000	7,690,000	-	-
Transferable golf club memberships		228,200	228,200	-	-
Other		39,930	39,930	-	-
<u>Outside Malaysia</u>					
Quoted USD Class Bonds	(b)	176,575	189,000	-	-
Unquoted shares		50,115,518	5,693,068	-	-
Allowance for diminution in value	9	(691,750)	-	-	-
		49,423,768	5,693,068	-	-
Unquoted redeemable loan notes	(c)	21,005,337	-	-	-
		80,439,007	24,657,830	9,617,750	9,617,750
At market value:					
Quoted shares in Malaysia		9,115,037	12,360,732	-	-
Quoted warrants in Malaysia		-	-	9,577,820	6,385,214
Quoted USD class bonds outside Malaysia		184,433	193,895	-	-
		9,299,470	12,554,627	9,577,820	6,385,214

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OSK Holdings Berhad

21. OTHER LONG TERM INVESTMENTS (CONT'D)

The carrying amounts of other long term investments are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
HKD	68,081,775	-	-	-
RM	9,833,326	24,468,830	9,617,750	9,617,750
SGD	2,347,331	-	-	-
USD	176,575	189,000	-	-
	<u>80,439,007</u>	<u>24,657,830</u>	<u>9,617,750</u>	<u>9,617,750</u>

Note (a)

The Company subscribed for 31,926,068 Warrants 2004/2009 in OSK Property Holdings Berhad ("OSKPH") during the year ended 31 December 2004 at the issue price of RM0.30 per warrant with incidental costs of RM39,930 amounting to a total of RM9,617,750. The warrants were quoted and listed on the Main Board of Bursa Securities on 26 July 2004. The difference between the cost and the market value of the warrants is not provided for in the financial statements as it is not consider as permanent diminution in value.

Note (b)

The bonds are redeemable monthly at the Net Asset Value per bond with the maturity date on 31 May 2016.

Note (c)

The redeemable loan notes bear an interest of 12% per annum and is payable in arrears. The interest is payable at the option of the issuer either on maturity date or yearly at the rate of 5% per annum on 31 December of each year, with the balance on maturity date, 31 August 2009.

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OSK Holdings Berhad

22. SECURITY DEPOSITS AND STATUTORY FUNDS

	Note	Group 2006 RM	2005 RM
Reserve fund with Hong Kong Futures Exchange Clearing Corporation Limited	(a)	1,543,905	731,305
Compensation fund with Hong Kong Futures Exchange Limited	(a)	68,143	48,754
Guarantee Fund and Admission Fees paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	(a)	190,801	209,640
Security deposit and clearing fund with			
- Bursa Malaysia Derivatives Clearing Bhd ("the Derivatives Clearing")	(b)	1,499,989	1,499,989
- Bursa Malaysia Securities Clearing Sdn Bhd ("the Derivatives Clearing")	(b)	10,000	-
Trust deposit	(c)	100,000	100,000
		<u>3,412,838</u>	<u>2,589,688</u>

The carrying amounts of security deposits and statutory funds of the Group are denominated in the following currencies:

HKD	1,802,849	989,699
RM	1,609,989	1,599,989
	<u>3,412,838</u>	<u>2,589,688</u>

Note (a)

These represent security deposits and fund contributions paid by OSKIB's foreign stockbroking and futures subsidiary companies to the Hong Kong securities and derivatives clearing house and securities exchange.

Note (b)

These represent security deposits and fund contribution paid by OSKIB and OSK Futures And Options Sdn Bhd ("OSKFO") to the Securities Clearing and the Derivatives Clearing.

The deposit paid by OSKFO bear interest rates of 1.42% to 1.47% (2005 : 0.71% to 0.72%) per annum.

Note (c)

This represents a security deposit paid by OSK Trustees Berhad, an indirect subsidiary company via interest in OSKIB to the Accountant General of Malaysia as required under Section (3) of the Trust Companies Act, 1949 upon registration as a trust company.

The deposit bears an interest rate of 3.80% (2005: 3.70%) per annum.

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OSK Holdings Berhad

23. DEFERRED TAXATION

		Group	
	Note	2006 RM	2005 RM
(a) Deferred tax assets			
At beginning of year		530,000	449,555
Acquisition of subsidiary company	17(a)(i)	149,736	-
Transfer from income statement	11	(221,929)	80,445
Foreign exchange difference		6,813	-
		<hr/>	<hr/>
At end of year		464,620	530,000
		<hr/>	<hr/>

The deferred tax assets mainly relate to temporary differences arising from:

Excess of depreciation over capital allowances	30,743	-
Unabsorbed tax losses	433,877	461,960
Unutilised capital allowances	-	68,040
	<hr/>	<hr/>
	464,620	530,000
	<hr/>	<hr/>

		Group	
	Note	2006 RM	2005 RM
(b) Deferred tax liabilities			
At beginning of year		29,300,715	29,317,283
Transfer to income statement	11	(1,204,370)	(16,568)
Foreign exchange difference		3,112	-
		<hr/>	<hr/>
At end of year		28,099,457	29,300,715
		<hr/>	<hr/>

The deferred tax liabilities mainly relate to temporary differences arising from:

Excess of capital allowances over depreciation	4,064,318	4,604,060
Fair value adjustment on land held for development and property development costs	24,147,134	24,944,587
Other temporary differences	(111,995)	(247,932)
	<hr/>	<hr/>
	28,099,457	29,300,715
	<hr/>	<hr/>

Notes to the Financial Statements

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OSK Holdings Berhad

24. TRADE RECEIVABLES

		Group	
	Note	2006 RM	2005 RM
Amount owing by clients		992,372,121	508,224,971
Less: Interest-in-suspense	(a)	(2,759,165)	(2,846,644)
Allowance for bad and doubtful debts			
- Specific	(b)	(14,090,386)	(12,432,692)
- General	(c)	(171,781)	(146,324)
		<hr/>	<hr/>
		975,350,789	492,799,311
Amount owing by brokers		787,401,230	39,420,901
Unsegregated funds		94,644	51,374
Other trade receivables			
- property development activities		23,384,829	18,399,308
- unit trust activities		16,240,863	9,502,794
- others		417,131	261,230
		<hr/>	<hr/>
		1,802,889,486	560,434,918
		<hr/>	<hr/>

The carrying amounts of trade receivables are denominated in the following currencies:

HKD	93,500,687	26,301,987
RM	780,643,838	534,132,931
SGD	911,570,926	-
USD	17,174,035	-
	<hr/>	<hr/>
	1,802,889,486	560,434,918
	<hr/>	<hr/>

The trade credit term for securities trading of OSKIB is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities, 3 market days for the Singapore subsidiary company and 2 market days for the Hong Kong subsidiary company. The trade credit term for the margin clients of Malaysian stockbroking business shall be for a maximum term of 3 months, subject to review for rollover.

The trade credit term for fixed income instruments trading of OSKIB generally ranges from the same trading day to 2 market days.

The normal credit term for capital financing range from 2 to 12 months from the date of financing.

The normal credit term for purchasers of the development properties is 21 (2005: 21) days. The normal trade credit terms for unit trust funds is 10 (2005: 10) days.

The Group has no significant concentration of credit risk that may arise from exposures to a single client or to a group of receivables.

Notes to the Financial Statements

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OSK Holdings Berhad

24. TRADE RECEIVABLES (CONT'D)

		Group	
	Note	2006 RM	2005 RM
(a) Movement of interest-in-suspense are as follows:			
At beginning of year		2,846,644	2,943,684
Addition		1,283,375	1,439,542
Reversal		(1,252,647)	(770,066)
Write off		(118,207)	(766,516)
At end of year		2,759,165	2,846,644
(b) Movement of specific allowance for bad and doubtful debts are as follows:			
At beginning of year		12,432,692	10,098,921
Addition	9	9,309,261	4,706,602
Acquisition of subsidiary company		2,495,683	-
Reversal	7	(9,721,140)	(1,211,286)
Write off		(452,502)	(1,161,545)
Exchange difference		26,392	-
At end of year		14,090,386	12,432,692
(c) Movement of general allowance for bad and doubtful debts are as follows:			
At beginning of year		146,324	174,597
Addition	9	25,457	-
Reversal	7	-	(28,273)
At end of year		171,781	146,324

Notes to the Financial Statements

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OSK Holdings Berhad

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Amount in relation to management of development projects	(a)	5,000,000	5,000,000	-	-
Interest receivable on fixed income instruments		5,490,133	1,029,184	-	-
Other deposits		4,821,163	4,311,706	4,500	4,500
Other receivables	(b)	4,020,986	8,014,492	271,387	31,235
Prepayments		1,972,926	1,953,629	41,500	22,500
		<u>21,305,208</u>	<u>20,309,011</u>	<u>317,387</u>	<u>58,235</u>

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
HKD	2,209,046	1,789,982	-	-
RM	16,402,233	18,495,140	317,387	58,235
SGD	2,673,908	-	-	-
USD	20,021	23,889	-	-
	<u>21,305,208</u>	<u>20,309,011</u>	<u>317,387</u>	<u>58,235</u>

Note (a)

This relates to the amount paid to manage development projects pursuant to two separate management agreements entered into by OSK Properties Management Sdn. Bhd., a wholly owned subsidiary company of OSKPH, with the developers for developing various residential units and shophouses on two parcels of development land located at Tapak Taman Botani, Sungai Buloh, Selangor. The unpaid balance is disclosed as capital commitment in Note 42(a).

Note (b)

Included in the other receivables of the Group and the Company are interest receivable on short term placements and fixed deposits of RM311,687 (2005: RM209,077) and RM521 (2005: RM269) respectively. The interest rates of the short term placements and fixed deposits are disclosed in Note 28.

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OSK Holdings Berhad

26. SHORT TERM INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
<u>In Malaysia</u>				
Quoted securities	5,896,166	7,556,960	2,349,727	4,010,521
Allowance for diminution in value	(841,271)	(1,845,532)	-	(165,625)
	5,054,895	5,711,428	2,349,727	3,844,896
Quoted basket call warrants	92,769	-	-	-
Unquoted private debt securities				
in Malaysia, at cost*	400,083,758	152,502,663	-	-
Futures contracts	57,928	-	-	-
Money market instruments	309,536	-	-	-
<u>Outside Malaysia</u>				
Quoted securities	13,787,550	3,038,054	2,299,171	-
Allowance for diminution in value	(71,423)	-	(71,423)	-
Exchange differences	(83,255)	-	(83,255)	-
	13,632,872	3,038,054	2,144,493	-
Unit trust fund	502,051	502,051	-	-
Written off	(502,051)	-	-	-
Allowance for diminution in value	-	(502,051)	-	-
	-	-	-	-
	419,231,758	161,252,145	4,494,220	3,844,896
At market value:				
<u>In Malaysia</u>				
Quoted securities	5,551,676	5,711,428	2,751,880	3,844,896
Quoted basket call warrants	92,769	-	-	-
Futures contracts	57,928	-	-	-
Private debt securities	442,551,400	157,174,250	-	-
<u>Outside Malaysia</u>				
Securities quoted outside				
Malaysia	16,877,895	3,679,076	2,144,494	-
	465,131,668	166,564,754	4,896,374	3,844,896

* Classification as short term investments is in accordance with the Group's investment holding strategy instead of in accordance with the maturity dates of the financial instruments.

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OSK Holdings Berhad

26. SHORT TERM INVESTMENTS (CONT'D)

The carrying amounts of short term investments are denominated in the following currencies:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
HKD	2,144,493	-	2,144,493	-
RM	405,693,514	158,214,091	2,349,727	3,844,896
SGD	1,951,084	-	-	-
USD	9,442,667	3,038,054	-	-
	<u>419,231,758</u>	<u>161,252,145</u>	<u>4,494,220</u>	<u>3,844,896</u>

27. FUND MANAGER'S STOCKS

	Note	Group 2006 RM	2005 RM
Unit trusts quoted in Malaysia, at cost		1,786,564	806,685
Less: Allowance for diminution in value	7	-	(4,362)
		<u>1,786,564</u>	<u>802,323</u>
At market value		<u>1,786,564</u>	<u>802,923</u>

28. CASH, BANK BALANCES AND DEPOSITS

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
(a) General accounts					
Cash and bank balances		32,061,939	24,852,444	151,094	28,535
Housing development accounts	(i)	3,743,739	6,945,350	-	-
Deposits with:					
- licensed banks	(ii)	123,786,652	266,210,430	1,950,500	1,190,000
- licensed discount house		20,622,563	14,626,091	-	-
- licenced finance companies		221,716	1,000,000	-	-
		<u>180,436,609</u>	<u>313,634,315</u>	<u>2,101,594</u>	<u>1,218,535</u>
(b) Segregated accounts					
Bank balances		130,429,507	87,857,252	-	-
Deposits with:					
- licensed banks		197,885,972	128,195,015	-	-
- licensed discount house		164,000	-	-	-
		<u>328,479,479</u>	<u>216,052,267</u>	<u>-</u>	<u>-</u>
		<u>508,916,088</u>	<u>529,686,582</u>	<u>2,101,594</u>	<u>1,218,535</u>

Notes to the Financial Statements

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OSK Holdings Berhad

28. CASH, BANK BALANCES AND DEPOSITS (CONT'D)

The carrying amounts of cash, bank balances and deposits are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
HKD	80,421,098	4,154,883	-	-
RM	319,793,838	518,611,302	2,101,594	1,218,535
SGD	106,492,053	-	-	-
USD	1,373,763	6,920,397	-	-
EURO	129,252	-	-	-
Australian Dollar	554,643	-	-	-
Sterling Pound	142,979	-	-	-
Thai Baht	8,462	-	-	-
	<u>508,916,088</u>	<u>529,686,582</u>	<u>2,101,594</u>	<u>1,218,535</u>

Note (a) (i)

Cash held under the Housing Development Accounts ("HDA") represents monies received from purchasers of properties less payments or withdrawals pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and are therefore restricted from use in other operations. The effective interest rate of HDAs at the balance sheet date is 2.10% (2005: 2.10%) per annum.

Note (a) (ii)

Included in deposits with licensed bank is an amount of RM4,750,000 (2005: RM4,750,000) under Profit Service Reserve and Reserve Accounts designated pursuant to the requirements under the BalDS issued by OSKPH for the redemption of the Secondary Bonds and are also restricted from use in operations.

Note (b)

Segregated accounts represent monies held in trust accounts and dividend accounts for clients and dealer's representatives. Trust accounts are maintained with licensed banks and financial institutions in accordance with the rules of the relevant authorities.

The effective interest rates of deposits at the balance sheet date are as follows:

	Group		Company	
	2006	2005	2006	2005
	%	%	%	%
General accounts	3.00 to 4.65	2.10 to 3.93	3.25	2.65
Segregated accounts	2.40 to 3.37	2.65	-	-

The average maturities of deposits at the balance sheet date are as follows:

	Group		Company	
	2006	2005	2006	2005
	Days	Days	Days	Days
General accounts	39	23	3	10
Segregated accounts	5	3	-	-

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29. SHARE CAPITAL

	Note	Group and Company		2005 RM
		Number of ordinary shares	Amount	
		2006	2006 RM	
Authorised:				
Ordinary shares of RM1 each				
At beginning/end of year		1,500,000,000	1,500,000,000	1,500,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning of year		625,307,579	625,307,579	584,777,720
Conversion of ICULS	34	-	-	40,456,359
Exercise of ESOS	31	7,044,500	7,044,500	73,500
At end of year		632,352,079	632,352,079	625,307,579

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the residual assets of the Company.

During the current year, the Company has issued 7,044,500 (2005: 73,500) new ordinary shares of RM1 each pursuant to the ESOS as disclosed in Note 31.

Warrant B 2000/2010

The Company had issued 101,423,995 Warrant B 2000/2010 which were listed on Bursa Malaysia Securities Berhad since 17 March 2000.

The Warrants B 2000/2010, which were issued as free detachable warrants in conjunction with the issuance of 6% ICULS 2000/2005 and 3.5% Redeemable Unsecured Bonds 2000/2005 in the prior years are constituted by a Deed Poll dated 6 January 2000 executed by the Company.

During the prior years, the Securities Commission, the shareholders and warrant holders of the Company had approved the extension of the duration and exercise period of the Company's outstanding Warrant B 2000/2005 by five years from 1 March 2005 up to and including 1 March 2010.

The main features of the Warrant B 2000/2010 are as follows:

- (i) Each Warrant B carries the right to subscribe for 1 new ordinary share of RM1 each at a subscription price of RM2.23 per share by cash at any time on or before 1 March 2010.
- (ii) The subscription price and the number of outstanding Warrant B are subject to adjustments in accordance with the provisions as set out in a Deed Poll dated 6 January 2000. The subscription price was adjusted during the previous year from RM2.28 per share to RM2.23 per share pursuant to the distribution of share dividend as final dividend for the year ended 31 December 2004 on 19 May 2005 [Notes 13 and 32(a)].

As at the end of the current year, the total number of Warrant B remained unexercised is 101,423,826 (2005: 101,423,826).

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OSK Holdings Berhad

30. TREASURY SHARES

	Note	Group and Company 2006 RM	2005 RM
At cost:			
At beginning of year		16,592,808	21,449,891
Shares buybacks		12,488,729	16,035,754
Share dividend distributed	13	-	(20,892,837)
At end of year		29,081,537	16,592,808
Number of treasury shares:			
At beginning of year		14,949,512	13,946,400
Share buybacks		8,833,700	14,577,000
Share dividend distributed	13	-	(13,573,888)
At end of year		23,783,212	14,949,512
Total number of outstanding shares in issue after set off (excluding treasury shares held)		608,568,867	610,358,067
Total number of issued and fully paid ordinary shares		632,352,079	625,307,579

The shareholders of the Company, by a special resolution passed in the Extraordinary General Meeting ("EGM") held on 18 December 2000, approved the Company's plan to repurchase its own ordinary shares. The Company has annually obtained the approval of the shareholders to repurchase its own ordinary shares subject to the conditions of:

- the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on the Bursa Securities as at the point of purchase;
- an amount not exceeding the Company's last audited retained profit and/or the share premium account at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

The directors are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan is to the best interests of the Company and its shareholders. The repurchase transactions were mainly financed by internally generated funds coupled with minimum borrowings.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The Company may distribute the treasury shares as dividend to the shareholders or re-sell the treasury shares in the market in accordance with the Rules of Bursa Securities or cancel the shares in accordance with Section 67A of the Companies Act, 1965.

All the shares repurchased were conducted through OSKIB, a wholly owned subsidiary in the ordinary course of business on terms similar to those arranged with independent stockbroking third parties.

On 19 May 2005, a total of 13,573,888 treasury shares at a total cost of RM20,892,837 were distributed as final dividend for the year ended 31 December 2004 on the basis of one (1) treasury share for every forty five (45) ordinary shares held (Notes 13).

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OSK Holdings Berhad

30. TREASURY SHARES (CONT'D)

Details of the share buybacks are as follows:

	Number of shares	Highest price RM	Lowest price RM	Average price RM	Total amount paid RM
2006					
At beginning of year	14,949,512	1.56	0.90	1.11	16,592,808
Share buybacks during the year:					
May 2006	100	1.43	1.43	1.43	143
June 2006	2,446,700	1.28	1.15	1.24	3,033,570
September 2006	4,677,700	1.47	1.39	1.44	6,723,740
October 2006	983,200	1.52	1.45	1.48	1,451,663
December 2006	726,000	1.88	1.74	1.76	1,279,613
	<hr/> 8,833,700	<hr/> 1.88	<hr/> 1.15	<hr/> 1.41	<hr/> 12,488,729
At end of year	<hr/> 23,783,212	<hr/> 1.88	<hr/> 0.90	<hr/> 1.22	<hr/> 29,081,537
2005					
At beginning of year	13,946,400	1.70	1.43	1.54	21,449,891
Share dividend distributed	(13,573,888)	1.70	1.44	1.54	(20,892,837)
	<hr/> 372,512	<hr/> 1.70	<hr/> 1.43	<hr/> 1.50	<hr/> 557,054
Share buybacks during the year:					
May 2005	3,651,100	1.10	1.02	1.06	3,886,635
June 2005	7,134,700	1.22	1.06	1.14	8,131,934
July 2005	1,071,000	1.18	1.13	1.16	1,243,772
August 2005	251,600	1.10	1.05	1.08	271,405
September 2005	1,886,800	1.05	1.01	1.03	1,954,636
November 2005	165,600	0.97	0.90	0.94	157,228
December 2005	416,200	0.95	0.90	0.93	390,144
	<hr/> 14,577,000	<hr/> 1.22	<hr/> 0.90	<hr/> 1.10	<hr/> 16,035,754
At end of year	<hr/> 14,949,512	<hr/> 1.56	<hr/> 0.90	<hr/> 1.11	<hr/> 16,592,808

31. EXECUTIVE SHARE OPTION SCHEME

During the previous and current years, the Company had granted options under the Executive Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 May 2002.

The salient features of the ESOS are as follows:

- (a) Eligible grantees are executives of the Group (including executive directors) who have been in the full time employment or under an employment contract of the Group for a period of at least twelve (12) full months of continuous service and whose employment have been confirmed in writing on or prior to the date of the offer. The eligibility for participation in the ESOS shall be based on the performance of the eligible grantees and shall be at the discretion of the ESOS Committee appointed by the Board of Directors;
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, hold 20% or more in the issued and paid-up capital of the Company;
- (c) As disclosed in Notes 45(m) and 46(e), the duration of the ESOS which due to expire on 17 February 2008 has been extended for another five (5) years. Therefore the ESOS shall be in force for a duration of ten (10) years from the date of implementation of the ESOS, from 17 February 2003 to 17 February 2013;
- (d) The option price for each share, as determined by the ESOS Committee, shall be at a discount of not more than ten per cent (10%) from the weighted average of the market quotation of the Company's shares in the daily list issued by Bursa Securities for the five (5) market days preceding the date of offer, or at par value of the ordinary shares of the Company, whichever is higher;
- (e) The shares to be allotted upon any exercise of the option will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company provided always that the new shares so allotted will not be entitled to any dividends, rights, allotments and/ or other distributions unless such new shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with Bursa Depository and requested by the Company from Bursa Depository for the purpose of determining persons entitled to such dividends, rights, allotments, and/or distributions in accordance with the Company's Articles of Association;
- (f) The employees' entitlements to the options are vested at the grant date; and
- (g) No option shall be granted for less than 1,000 shares and shall not be more than the maximum allowable allotment for each eligible grantee allowed under their respective categories.

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31. EXECUTIVE SHARE OPTION SCHEME (CONT'D)

The number and weighted average exercise prices of, and movement in, share option under the ESOS for the year are as follows:

2006		Number of options over ordinary shares of RM1.00 each					
Date of grant	Option price RM	As at					As at
		1.1.2006	Granted	Exercised	Forfeited	31.12.2006	Exercisable at 31.12.2006
27.6.2003 ¹	1.33	4,882,900	-	(1,003,000)	(219,700)	3,660,200	3,660,200
16.3.2004 ¹	1.95	9,531,900	-	-	(531,900)	9,000,000	9,000,000
29.4.2005 ²	1.18	10,857,600	-	(4,447,200)	(383,500)	6,026,900	6,026,900
03.5.2006 ³	1.36	-	11,437,100	(1,594,300)	(297,600)	9,545,200	9,545,200
		25,272,400	11,437,100	(7,044,500)	(1,432,700)	28,232,300	28,232,300
Weighted average price (RM)		1.50	1.36	1.24	1.53	1.51	1.51

2005		Number of options over ordinary shares of RM1.00 each					
Date of grant	Option price RM	As at					As at
		1.1.2005	Granted	Exercised	Forfeited	31.12.2005	Exercisable at 31.12.2005
27.6.2003 ¹	1.33	5,410,500	-	(73,500)	(454,100)	4,882,900	4,882,900
16.3.2004 ¹	1.95	11,049,000	-	-	(1,517,100)	9,531,900	9,531,900
29.4.2005 ²	1.18	-	11,986,600	-	(1,129,000)	10,857,600	10,857,600
		16,459,500	11,986,600	(73,500)	(3,100,200)	25,272,400	25,272,400
Weighted average price (RM)		1.75	1.18	1.33	1.58	1.50	1.50

- 1 These outstanding options were granted prior to 31 December 2004 and therefore not recognised in the financial statements, in accordance with the transitional requirements of FRS 2.
- 2 These outstanding options were granted after 31 December 2004 but vested before 1 January 2006 and therefore not recognised in the financial statements, in accordance with the transitional requirements of FRS 2.
- 3 These outstanding options were granted and vested after 1 January 2006 and therefore recognised in accordance with the requirements of FRS 2 as below:

	Number of options	Fair value RM
Granted to directors	1,617,100	404,275
Granted to staff	9,820,000	2,455,000
	11,437,100	2,859,275

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31. EXECUTIVE SHARE OPTION SCHEME (CONT'D)

(i) Details of share options outstanding at the end of the year:

	2006	2005
Total number of options granted since implementation of ESOS	44,160,500	32,723,400
Less: total number of options exercised since implementation of ESOS	(10,779,800)	(3,735,300)
total number of options forfeited since implementation of ESOS	(5,148,400)	(3,715,700)
	<hr/>	<hr/>
Number of options outstanding as at 31 December	28,232,300	25,272,400
	<hr/>	<hr/>

(ii) Share options exercised during the year

Details of share options exercised during the year and the fair values, at exercise dates, of ordinary shares issued are as follows:

Exercise date	Note	Exercise prices RM	Fair values of ordinary shares RM	Number of options	Consideration received RM
2006					
May, August, November and December		1.33	1.33 to 1.98	1,003,000	1,333,990
February to December		1.18	1.22 to 1.99	4,447,200	5,247,696
August, October to December		1.36	1.42 to 1.99	1,594,300	2,168,248
				<hr/>	<hr/>
				7,044,500	8,749,934
Less: Par value of ordinary shares	29				<hr/>
					(7,044,500)
Share premium	32				<hr/>
					1,705,434
2005					
February to March		1.33	1.32 to 1.45	73,500	97,755
Less: Par value of ordinary shares	29				<hr/>
					(73,500)
Share premium	32				<hr/>
					24,255
					<hr/>

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31. EXECUTIVE SHARE OPTION SCHEME (CONT'D)

(iii) Fair value of share options granted during the year

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

On 3 May 2006

Fair value of ESOS granted	25 sen
Weighted average share price (RM)	1.36
Weighted average exercise price (RM)	1.36
Expected volatility (%)	40%
90-day historical volatility (%)	49.7%
260-day historical volatility (%)	36.8%
Expiry date	17 February 2008*
Risk-free interest rate (%)	3.65%
Dividend yield (%)	5.68%

* Extended to 17 February 2013 after date of grant

Actual volatility in the future may differ from the expected volatility, nonetheless the expected volatility reflects the Group's best estimate of future volatility over the remaining option period.

32. RESERVES

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable:					
Share premium	(a)	62,732,340	61,029,306	62,732,340	61,029,306
Capital redemption reserve	(b)	58,919,600	58,919,600	58,919,600	58,919,600
Reserve on consolidation	(c)	-	76,364,220	-	-
Foreign exchange reserve		(2,158,325)	(126,598)	-	-
Equity compensation reserve	(d)	2,460,700	-	2,460,700	-
Other reserves	(e)	22,444,962	4,826,574	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		144,399,277	201,013,102	124,112,640	119,948,906
Distributable:					
Retained profits		474,584,301	342,127,454	400,837,808	394,248,043
		<hr/>	<hr/>	<hr/>	<hr/>
		618,983,578	543,140,556	524,950,448	514,196,949
		<hr/>	<hr/>	<hr/>	<hr/>

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OSK Holdings Berhad

32. RESERVES (CONT'D)

Note (a) Share premium

	Note	Group and Company 2006 RM	2005 RM
At beginning of year		61,029,306	30,154,647
Add: Conversion of ICULS		-	51,784,141
Exercise of ESOS		1,705,434	24,255
Less: Expenses for extension of warrants		-	(19,900)
Expenses for conversion of ICULS		-	(21,000)
Expenses for exercise of ESOS		(2,400)	-
Share dividend distributed	13,30	-	(20,892,837)
At end of year		<u>62,732,340</u>	<u>61,029,306</u>

Note (b) Capital redemption reserve

The capital redemption reserve arose from the cancellation of treasury shares carried out in 2002 and 2004 as follows:

	Group and Company Ordinary shares of RM1 each	Cost RM
(a) 2002:	23,437,000	23,437,000
(b) 2004:	35,482,600	35,482,600
	<u>58,919,600</u>	<u>58,919,600</u>

Note (c) Reserve on consolidation

	Group 2006 RM	2005 RM
At beginning of year	76,364,220	68,669,628
Transfer to retained profits due to adoption of FRS 3	(76,364,220)	-
Acquisition of additional shares in subsidiary companies	-	7,694,592
As restated/At end of year	<u>-</u>	<u>76,364,220</u>

Note (d) Equity compensation reserve

	Group and Company 2006 RM	2005 RM
At beginning of year	-	-
Share-based payment under ESOS	2,859,275	-
Transfer to retained profits due to exercise of ESOS	(398,575)	-
At end of year	<u>2,460,700</u>	<u>-</u>

Equity compensation reserve relates to share options of the Company that was granted to eligible employees of the Group, recognised in accordance with accounting policy as disclosed in Note 3(o)(iii). The details of the share options are disclosed in Note 31.

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32. RESERVES (CONT'D)

Note (e) Other reserves

Other reserves comprise gains or losses on deemed disposals of investments in associated companies, net of accumulated realisation from actual disposals and other non-distributable reserves.

33. TERM LOAN

	Note	Group and Company	
		2006 RM	2005 RM
The term loan is repayable as follows:			
On demand or within one year	40	12,500,000	-
In the second to fifth year inclusive		84,211,500	-
		<hr/>	<hr/>
		96,711,500	-
		<hr/>	<hr/>

The syndicated term loan is secured by way of a fixed charge over the unquoted shares of a subsidiary company as disclosed in Note 17(a) and bears interest rate at 1.75% per annum above the licensed commercial banks' cost of fund and is repayable in six-monthly intervals from 29 September 2007.

34. 6% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2000/2005 ("ICULS")

	Note	Group and Company	
		2006 RM	2005 RM
At beginning of year		-	92,232,100
Conversion and exercise of ICULS	29	-	(92,232,100)
		<hr/>	<hr/>
At end of year		-	-
		<hr/>	<hr/>

The ICULS which was constituted under a Trust Deed dated 6 January 2000 matured on 1 March 2005. Pursuant to the Trust Deed, the outstanding 92,172,100 ICULS of RM1 each as at the maturity date will be mandatorily converted into 40,426,359 new ordinary shares of RM1 each ("the Shares") at conversion price of RM2.28 each.

During the previous year, a total of 92,232,100 ICULS were converted into 40,456,359 new ordinary shares of RM1 each at conversion price of RM2.28 each (Note 29). The Shares were subsequently allotted on 10 March 2005 and listed on 18 March 2005.

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35. SEVEN(7) YEAR SERIAL AL-BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS")

	Group	
	2006	2005
	RM	RM
Class A BaIDS	50,000,000	50,000,000
Class B BaIDS	25,000,000	25,000,000
	<hr/>	<hr/>
	75,000,000	75,000,000
Less: Unaccredited discount on BaIDS	(4,815,721)	(6,683,182)
Expenses incurred for issuance of BaIDS	(45,384)	(88,650)
	<hr/>	<hr/>
	70,138.895	68,228,168
	<hr/>	<hr/>

Note

The BaIDS are constituted by a Trust Deed dated 2 April 2004 made by OSK Property Holdings Berhad ("OSKPH"), a subsidiary company and the Trustee for the holders of the BaIDS.

OSKPH issued RM100 million nominal value BaIDS on 6 April 2004. The BaIDS are negotiable non-interest bearing secured Primary Bonds together with non-detachable Secondary Bonds. The Primary Bonds were issued in 4 tranches, with maturities commencing from years 2008 to 2011. Tranche No.1 and Tranche No. 2 were issued as "Class A BaIDS" and Tranche No. 3 and Tranche No. 4 were issued as "Class B BaIDS".

The BaIDS profit, represented by the Secondary Bonds shall be payable semi-annually. The Secondary Bonds are redeemable every six months commencing six months after the issue date. The face value of the Secondary Bonds are computed based on the profit rates specified for each tranche of the Primary Bonds, i.e. from 4.5% to 5.0% (2005: 4.5% to 5.0%) per annum. The effective interest (inclusive of discount and profit payment) of the BaIDS as at the balance sheet date ranges from 7.5% to 8.3% (2005: 7.5% to 8.3%) per annum.

The terms of the BaIDS contain various covenants, including the following:

- (i) OSKPH shall maintain a Debt Service Cover Ratio of at least 1.50 times throughout the tenure of the BaIDS.
- (ii) OSKPH shall maintain a Debt to NTA (net tangible assets) ratio of not more than 1.25 times throughout the tenure of the BaIDS.
- (iii) OSKPH shall maintain a Security Coverage Ratio of not less than 1.43 times throughout the tenure of the BaIDS.
- (iv) OSKPH shall maintain a Profit Service Reserve Account ("PSRA") of an amount equivalent to one series of Secondary Bonds, which is pre-funded from the BaIDS proceeds and shall be maintained at all times. OSKPH shall ensure that there are sufficient funds in the PSRA at least one month before the scheduled redemption date of Secondary Bonds, failing which the amount shall be drawn from the Reserve Account.
- (v) OSKPH shall maintain a Reserve Account of an amount equivalent to one series of Secondary Bonds, which is pre-funded from the BaIDS proceeds and shall be maintained at all times.

The amount can be utilised to meet any scheduled redemption of Secondary Bonds in the event of a shortfall in the PSRA. Any utilised funds shall be replenished within two weeks from the date of utilisation.

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OSK Holdings Berhad

35. SEVEN(7) YEAR SERIAL AL-BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (CONT'D)

The BaIDS are secured by the following:

- (i) Third party debentures incorporating a first fixed and floating charge over the present and future assets of OSK Properties Sdn. Bhd. ("OSKP"), a subsidiary company of OSKPH, excluding the landed properties;
- (ii) First fixed charge on the entire paid-up share capital of OSKPH in OSKP;
- (iii) First legal charge over the designated accounts; and
- (iv) Power of Attorney to authorise the Trustee to create a charge on the unsold portion of Lot 18479 and Lot 14215, Mukim Sungai Petani, Kuala Muda, Kedah (owned by OSKP) in the event of default or breach of the terms and conditions of the Trust Deed for the BaIDS under a special covenant.

The terms of the Trust Deed prescribes that in the event of default, the outstanding amount of the Primary Bonds and the profit next due will become immediately due and payable.

On 20 May 2005, OSKPH made an early redemption of the entire RM25 million nominal value of Tranche No. 4 of the BaIDS prior to its maturity date of 6 April 2011 from OSKIB for a settlement proceed of RM22,070,000.

Pursuant to the redemption, OSKPH shall have no further obligations over Tranche No. 4 of the BaIDS as the Primary Bonds No. 4 and Secondary Bonds Series No. 33 to 44 under Tranche No. 4 have been cancelled.

36. FINANCE LEASE PAYABLES

	Note	Group 2006 RM	2005 RM
Future minimum lease payment:			
- not later than one year	40	679,450	-
- later than 1 year and not later than five years		1,214,277	-
		<hr/> 1,893,727	<hr/> -

The carrying amounts of finance lease payables are denominated in Singapore dollar (SGD). The net carrying amount of assets under finance lease arrangement are disclosed in Note 14.

At 31 December 2006, the Group has obligations under finance leases that are payable as follows:

	Present value of payments RM	Interest RM	Minimum lease payments RM
- not later than one year	679,450	108,658	788,108
- later than 1 year and not later than five years	1,214,277	73,367	1,287,643
	<hr/> 1,893,727	<hr/> 182,025	<hr/> 2,075,751

The discount rate implicit in the lease is 6.85% per annum (2005: Nil).

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37. TRADE PAYABLES

	Group	
	2006 RM	2005 RM
Amount due to clients	559,367,112	131,733,251
Amount due to brokers	735,480,830	159,468,837
Other trade payables		
- property development activities	16,542,295	12,396,229
- unit trust activities	7,613,327	2,430,864
	<hr/>	<hr/>
	1,319,003,564	306,029,181
	<hr/>	<hr/>

The carrying amounts of the trade payables of the Group are denominated in the following currencies:

	Group	
	2006 RM	2005 RM
HKD	87,585,539	12,757,499
RM	375,136,432	293,271,682
SGD	856,281,593	-
	<hr/>	<hr/>
	1,319,003,564	306,029,181
	<hr/>	<hr/>

The trade credit term for securities trading of OSKIB is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities, 3 market days for the Singapore subsidiary company and 2 market days for the Hong Kong subsidiary company.

The trade credit term for fixed income instruments trading generally ranges from the same trading day to 2 market days.

Amounts due to clients for the disposal of investments financed by a capital financing subsidiary company, OSK Capital Sdn Bhd, are repayable on demand.

The normal trade credit term granted by suppliers and sub-contractors of the development activities generally ranges from 30 days to 90 days (2005: 30 days to 90 days). The normal trade credit terms for unit trust funds is 10 (2005: 10) days.

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38. OTHER PAYABLES, DEPOSITS AND ACCRUALS

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Other payables		9,978,807	2,910,295	647,345	8,285
Amount due to a joint venture project	(a)	2,162,127	-	-	-
Deposits:					
- trading deposits from dealers/futures broker representatives		32,724,586	30,731,264	-	-
- rental and utilities deposits from tenants		1,205,341	1,063,820	-	-
- other deposits		10,090	7,950	-	-
		33,940,017	31,803,034	-	-
Accruals:					
- profit payment on BalDS		875,000	875,000	-	-
- other accruals and provisions		51,774,543	30,322,169	473,096	165,000
		98,730,494	65,910,498	1,120,441	173,285
Provision for interest cost and compensation for legal suits	(b)	56,344,113	54,185,335	-	-
		155,074,607	120,095,833	1,120,441	173,285

The carrying amounts of other payables, deposits and accruals are denominated in the following currencies:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
HKD	1,236,629	657,393	-	-
RM	145,432,549	119,424,832	1,120,441	173,285
SGD	8,334,966	-	-	-
USD	70,463	13,608	-	-
	155,074,607	120,095,833	1,120,441	173,285

Note (a)

The amount due to a joint venture project is unsecured, interest-free and is repayable in accordance to the terms of the joint venture, subject to consent of all parties to the joint venture.

Note (b)

The provision for interest cost and compensation for legal suits are made for legal claims against a subsidiary company.

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39. DEPOSITS AND PLACEMENTS WITH/OF BANKS AND FINANCIAL INSTITUTIONS

(a) Deposits and placements with banks and financial institutions

The deposits and placements with licensed banks in Malaysia relate to interbank lendings permitted for OSKIB. The lendings bore weighted average effective interest rate of 3.52% per annum (2005: not applicable) and are less than 30 days (2005: not applicable) to maturity from the balance sheet date.

(b) Deposits and placements of banks and financial institutions

The deposits and placements of licensed banks in Malaysia relate to interbank borrowings permitted for OSKIB. The borrowings bore weighted average effective interest rate of 3.70% per annum and are less than 30 days to maturity from the balance sheet date.

40. SHORT TERM BORROWINGS

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Secured:					
Finance lease payable					
within one year	36	679,450	-	-	-
Term loan	33	12,500,000	-	12,500,000	-
Unsecured:					
Bank overdrafts	(a)	11,064,158	67,817,919	-	-
Revolving credits	(b)	238,078,640	106,075,074	20,000,000	-
Commercial papers	(c)	254,113,986	-	-	-
		<u>516,436,234</u>	<u>173,892,993</u>	<u>32,500,000</u>	<u>-</u>

The carrying amounts of short term borrowings are denominated in the following currencies:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
HKD	13,628,640	975,074	-	-
RM	501,798,238	172,917,919	32,500,000	-
SGD	1,009,356	-	-	-
	<u>516,436,234</u>	<u>173,892,993</u>	<u>32,500,000</u>	<u>-</u>

Note (a)

The bank overdrafts are supported by corporate guarantees from the Company. Interest is charged at 1.5% (2005: 1.0%) per annum above the banks' base lending rate.

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40. SHORT TERM BORROWINGS (CONT'D)

Note (b)

The revolving credits of the subsidiary companies are supported by corporate guarantees from the Company. Interest is charged at 1.00% to 1.50% (2005: 1.50%) per annum above the banks' cost of funds.

The revolving credits of the Company is unsecured and interest is charged at 1.25% to 1.50% (2005: Nil) per annum above the bank's cost of funds.

Repayment schedules of the revolving credits are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Rolled over on:				
- daily basis	151,578,640	106,075,074	-	-
- weekly basis	30,000,000	-	-	-
- monthly basis	56,500,000	-	20,000,000	-
	<u>238,078,640</u>	<u>106,075,074</u>	<u>20,000,000</u>	<u>-</u>

Note (c)

	Group	
	2006	2005
	RM	RM
Commercial papers		
Nominal value	260,000,000	-
Less: Unamortised discount	(5,886,014)	-
	<u>254,113,986</u>	<u>-</u>

During the year, OSKIB entered into a debt issuance arrangement with its financier to issue commercial papers ("CPs") and/or medium term notes ("MTNs"). OSKIB had issued through private placements the following tranches of CPs for working capital purposes at the following terms:

Issue date	Maturity date	Nominal amount	Proceeds	Carrying amount
		RM	RM	RM
25 September 2006	26 March 2007	50,000,000	48,940,411	49,510,959
25 September 2006	25 September 2007	50,000,000	47,800,000	48,390,684
7 December 2006	7 July 2007	110,000,000	107,860,877	108,142,959
21 December 2006	21 December 2007	50,000,000	48,015,000	48,069,384
		<u>260,000,000</u>	<u>252,616,288</u>	<u>254,113,986</u>

40. SHORT TERM BORROWINGS (CONT'D)

The zero coupon CPs were issued at discounts ranging from 3.90% to 4.40% (2005: Nil) on the nominal value. Other salient terms of the CPs/MTNs programme approved by the Securities Commission ("SC") include:

- (a) The maximum aggregate nominal value of the CPs/MTNs approved for issue is RM300,000,000;
- (b) The CPs/MTNs programme shall have a tenure of seven years from the date of the first issuance made within two years from the date of the SC's approval;
- (c) The CPs shall be issued for maturities between one to twelve months, denominated in monthly intervals and calculated from the date of issue provided the maturity date is within the tenure of the CP programme;
- (d) The CPs shall be issued without prospectus and in accordance with the rules on Fully Automated System for Issuing/Tendering issued by Bank Negara Malaysia ("BNM");
- (e) The MTNs may be issued at par, discount or premium to the face amount of the MTNs. The MTNs shall be issued for maturities more than one year and up to but not exceeding 7 years;
- (f) The trading of the CPs/MTNs shall at all times be governed by the relevant regulations and applicable guidelines and the clearing and settlement procedures issued from time to time by BNM or any other authorities in Malaysia having jurisdiction over matters pertaining to the CPs/MTNs;
- (g) The CPs/MTNs shall constitute direct, unconditional and unsecured obligations of OSKIB ranking at all times at least pari passu without any preference amongst themselves and with all other unsecured and unsubordinated obligations of OSKIB, present or future, other than liabilities preferred by law; and
- (h) OSKIB shall pay a default interest of 1.00% per annum above the base lending rate of Malayan Banking Berhad for overdue payment of any amounts.

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OSK Holdings Berhad

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

(a) Subsidiary companies

In accordance with Paragraph 5(a) and 5(b) of MASB Financial Reporting Standards 124²⁰⁰⁴, Related Party Disclosures, the Company is not required to disclose transactions between the Company and its subsidiary companies.

(b) Directors' remuneration

The directors' remuneration included in administrative expenses as disclosed in Note 8 are paid/payable to the following directors of the Company:

Executive Directors

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Dato' Nik Mohamed bin Nik Yahya

Wong Chong Kim

Non-Executive Directors

Wong Chong Che

Dato' Mohamed Tarmizi bin Mohd. Tahir

Dr. Choong Tuck Yew

The directors' remuneration consist of the following:

	Executive RM	Non- Executive RM	Total RM
Company			
2006			
Fee - current year provision	120,000	95,000	215,000
- underprovision in prior year	52,000	39,000	91,000
	172,000	134,000	306,000
2005			
Fee - current year provision	68,000	56,000	124,000
- underprovision in prior year	12,000	14,000	26,000
	80,000	70,000	150,000
Group			
2006			
Fee - current year provision	368,000	113,000	481,000
- underprovision in prior year	160,000	39,000	199,000
	528,000	152,000	680,000
Fair value of ESOS shares	393,750	10,525	404,275
Other emoluments:			
Employees Provident Fund	1,291,488	-	1,291,488
Salaries, incentives and bonuses	9,485,000	-	9,485,000
	10,776,488	-	10,776,488
	11,698,238	162,525	11,860,763
Benefits-in-kind	125,450	-	125,450

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OSK Holdings Berhad

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(b) Directors' remuneration (Cont'd)

	Executive RM	Non- Executive RM	Total RM
Group (Cont'd)			
2005			
Fee - current year provision	208,000	74,000	282,000
- underprovision in prior year	12,000	14,000	26,000
	220,000	88,000	308,000
Other emoluments:			
Employees Provident Fund	628,800	-	628,800
Salaries, incentives and bonuses	5,574,900	22,300	5,597,200
	6,203,700	22,300	6,226,000
	6,423,700	110,300	6,534,000
Benefits-in-kind	83,300	-	83,300

The number of directors of the Company in each remuneration band are as follows:

	Executive	Non- Executive	Total
2006			
RM50,000 and below	-	1	1
RM50,001 up to RM100,000	-	2	2
RM300,001 up to RM350,000	1	-	1
RM450,001 up to RM500,000	1	-	1
RM2,750,001 up to RM2,800,000	1	-	1
RM8,100,001 up to RM8,150,000	1	-	1
	4	3	7
2005			
RM50,000 and below	-	3	3
RM50,001 up to RM100,000	1	-	1
RM450,001 up to RM500,000	1	-	1
RM1,350,001 up to RM1,400,000	1	-	1
RM4,450,001 up to RM4,500,000	1	-	1
	4	3	7

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OSK Holdings Berhad

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(c) Other related parties

(i) Companies in PJ Development Holdings Berhad Group

Identities	Nature of transactions	2006 RM	2005 RM
Damai Laut Golf Resort Sdn. Bhd.	(i) Hotel accommodation and related charges paid (ii) Office rental and parking fees received	205,343 -	17,950 (1,512)
MM Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	12,755	64,254
PJD Concrete Products Sdn. Bhd.	Office rental and parking fees received	(82,800)	(89,289)
PJD Construction Sdn. Bhd.	Amount paid for construction works for property development projects	15,665,806	11,365,047
PJ Development Holding Berhad	Office rental and parking fees received	-	(10,395)
PJD Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	60,186	54,590
PJD Management Services Sdn. Bhd.	Office rental and parking fees received	(499,680)	(499,680)
PJD Marketing Sdn. Bhd.	Office rental and parking fees received	(86,570)	(75,756)
Swiss Garden International Sdn. Bhd.	Office rental and parking fees received	(105,896)	(105,210)
Swiss Garden Management Services Sdn. Bhd.	Hotel accommodation and related charges paid	41,005	41,779
Swiss Garden Rewards Sdn. Bhd.	Office rental and parking fees received	(75,000)	(75,766)
Swiss Garden International Vacation Club	Office rental and parking fees received	(216,180)	(215,382)

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OSK Holdings Berhad

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(c) Other related parties (Cont'd)

(ii) Companies in Dindings Consolidated Sdn. Bhd. Group

Identities	Nature of transactions	2006 RM	2005 RM
DC Services Sdn. Bhd.	Insurance premium paid	179,317	206,241
Dindings Consolidated Sdn. Bhd.	Office rental and parking fees received	(94,320)	(97,344)
Dindings Construction Sdn. Bhd.	Office maintenance/renovations/construction works paid	21,885,417	15,404,552
Dindings Life Agency Sdn. Bhd.	Insurance premium paid	156,128	175,545
Dinding Risks Management Services Sdn. Bhd.	(i) Insurance premium paid (ii) Office rental and parking fees received	925,504 -	685,344 (39,882)

Certain directors/major shareholders of PJ Development Holdings Berhad and Dindings Consolidated Sdn. Bhd. are the family members of Mr. Ong Leong Huat @ Wong Joo Hwa, Mr. Wong Chong Kim and Mr. Wong Chong Che.

Identities	Nature of transactions	2006 RM	2005 RM
(iii) Cheang & Ariff	Legal fees paid	300,211	703,096

A partner of the aforesaid firm was a former director of OSKIB.

The above transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties.

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OSK Holdings Berhad

42. UNRECOGNISED CONTRACTUAL COMMITMENTS

		Group	
	Note	2006 RM	2005 RM
(a) Capital commitments:			
(i) Contracted but not been provided for:			
- Acquisition of a commercial property	14	-	1,262,700
- Acquisition of DMG & Partners Securities Pte Ltd		-	112,222,200
- Registered capital in an indirect subsidiary company		7,086,893	-
- Acquisition of office equipment		218,519	218,519
- Construction of a commercial building	14	1,725,133	-
- Management and development of project	25	5,200,000	5,200,000
(ii) Authorised but not contracted for:			
- Acquisition of office equipment		493,342	423,863
		<u>19,723,887</u>	<u>119,327,282</u>
(b) Underwriting commitments		<u>434,846,620</u>	<u>195,000,000</u>
(c) Non-cancellable operating lease commitments			
- Group as Lessee			
Future minimum rentals payable:			
- not later than one year		4,410,322	-
- later than one year and not later than five years		3,036,417	-
		<u>7,446,739</u>	<u>-</u>
(d) Non-cancellable operating lease commitments			
- Group as Lessor			
Future minimum rentals receivable:			
- not later than one year		312,000	-
- later than one year and not later than five years		1,092,000	-
		<u>1,404,000</u>	<u>-</u>
(e) Commitment under a joint venture			

OSK Properties Sdn Bhd ("OSKP"), a subsidiary company of OSK Property Holdings Berhad, entered into a Joint Venture Agreement ("JVA") and a Supplementary Agreement on 23 October 1994 and 15 April 1998 respectively with Majlis Perbandaran Sungai Petani ("MPSP") to carry out a development project on land alienated by the Kedah State Authority to MPSP.

Under the JVA, OSKP is committed to construct 1,800 units of low cost houses and to clear and level a piece of vacant land of about 50 acres for the benefit of MPSP with a minimum guaranteed value of RM71,000,000.

As at 31 December 2006, the development project on the land is in progress and 1,215 units of low cost houses have been completed and handed over to MPSP and it is anticipated that the minimum guaranteed value can be met.

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OSK Holdings Berhad

43. CONTINGENT LIABILITIES

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Unsecured:					
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries					
- Denominated in RM		-	-	502,220,152	172,917,919
- Denominated in HKD		-	-	13,628,640	975,074
Bank guarantee provided by OSKIB to Bursa Malaysia Clearing Sdn. Bhd.					
(a)		997,588	-	-	-
Contingent liabilities arising from guarantees given by the Unit Trust subsidiary to the Trustee of certain unit trust Funds					
(b)		1,886,170	-	-	-
		2,883,758	-	515,848,792	173,892,993

Note (a)

OSKIB provided bank guarantee of RM997,588 to Bursa Clearing to ensure minimum disruption to the clearing and settlement system as a result of the failure of any trading clearing participants.

Note (b)

OSK-UOB Unit Trust Management Berhad ("OUTM") is principally engaged in the management of unit trusts funds, had entered into an agreement with two licensed commercial banks ("the Banks") to provide unconditional and irrevocable guarantees to the Trustee (on behalf of the Unit Holders) of OSK-UOB Capital Guaranteed Funds – Series 1; OSK-UOB Capital Guaranteed Funds – Series 2 and OSK-UOB Capital Guaranteed BRIC Fund ("the Funds") which guarantee the payment of capital value of RM1.00 per unit of the Funds at respective maturity dates, in the event that the net asset value of the Funds is less than the capital value as at the maturity dates.

Inter-alia, OUTM undertakes to reimburse the Banks in full the shortfall, if any which may be paid by the Banks to the Unit Holders pursuant to the above-mentioned guarantees at the respective maturity dates.

The contingent liabilities of OUTM are quantified annually until the date of maturity and is based on the total units in circulation and differences between the capital value and net asset value of the Funds. As at 31 December 2006, there is no contingent liability to OUTM in respect of OSK-UOB Capital Guaranteed Funds – Series 1 and OSK-UOB Capital Guaranteed Funds – Series 2 whereas the contingent liability of OUTM on OSK-UOB Capital Guaranteed BRIC Fund is estimated to be approximately RM1,866,170, based on the units in circulation and net asset value per unit of the Funds as follows:

Type of funds	Maturity date	Units in circulation	NAV per unit RM
OSK-UOB Capital Guaranteed Funds			
- Series 1	5 November 2008	79,290,000	1.1511
- Series 2	2 August 2008	285,735,000	1.0577
OSK-UOB Capital Guaranteed BRIC Fund	31 October 2009	158,150,000	0.9882

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OSK Holdings Berhad

43. CONTINGENT LIABILITIES (CONT'D)

Note (b) (Cont'd)

The amount of contingent liabilities may fluctuate annually depending on the total units in circulation and net asset value of the Funds. Any materialisation of the contingent liabilities will only be determined on the maturity dates of the Funds, depending on the number of units and net asset value of the Funds on those dates.

In return for the guarantees, the Trustee placed a certain amount of the proceeds from sale of units of the Funds in Negotiable Instruments of Deposits ("NIDs") which are issued by the Banks and other banks that have a minimum rating of A and will yield a nominal value equivalent to RM1.00 for every unit held by the Unit Holders at the respective maturity dates.

44. SEGMENT INFORMATION - GROUP

(a) Business segments

The Group is organised into the following major business segments :

Debt securities	Debt capital arrangement and related services
Equity & nominees	Stockbroking, nominee services and related services both local and overseas
Corporate advisory	Corporate advisory, placement and related services
Venture capital	Provision of venture capital services and investee entities
Property development	Development of residential and commercial properties
Financing	Licensed money lender for initial public offers and share option schemes
Property investment	Management and letting of properties
Unit trust	Management of unit trust funds
Futures and options	Futures and options broking
Holding entities	Investment holding companies
Offshore investment bank	Offshore investment banking activities
Others	Not significant to be separately disclosed

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OSK Holdings Berhad

44. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments (Cont'd)

(RM '000) 2006	Debt securities	Equity & nominees	Corporate advisory	Venture capital	Property develop- ment	Financing	Property invest- ment	Unit trust	Futures and options	Offshore invest- ment bank	Holding entities	Others	Sub- total	Elimina- tions	Conso- lidated
Revenue															
- external parties	52,774	261,953	8,839	40,696	68,672	26,717	5,244	66,200	11,688	1,483	3,491	2,205	549,962	-	549,962
- inter-companies	-	4,397	185	13,669	-	-	8,044	-	-	-	114,335	421	141,051	(141,051)	-
Total	52,774	266,350	9,024	54,365	68,672	26,717	13,288	66,200	11,688	1,483	117,826	2,626	691,013	(141,051)	549,962
Results															
Profit/(loss) with external parties	32,067	60,028	6,672	31,242	15,069	21,173	(1,303)	8,945	2,261	920	(3,047)	(1,923)	172,104	-	172,104
Revenue from inter-companies	-	4,397	185	12,117	-	-	8,044	-	-	-	1,906	421	27,070	(27,070)	-
Expenses to inter-companies	(306)	(13,940)	(245)	(7,672)	(85)	(517)	-	(1,265)	(300)	(56)	(606)	(172)	(25,164)	25,164	-
Profit/(loss) before funding costs	31,761	50,485	6,612	35,687	14,984	20,656	6,741	7,680	1,961	864	(1,747)	(1,674)	174,010	(1,906)	172,104
Less: funding costs															
- Bank facilities fees and interest	(8,320)	(9,837)	-	-	(145)	(4,718)	-	-	(2)	-	(271)	-	(23,293)	-	(23,293)
- BalDS profit discount and expenses	-	-	-	-	(5,467)	-	-	-	-	-	-	-	(5,467)	-	(5,467)
- Interest on inter-company advances	-	-	-	-	(1,615)	(292)	-	-	-	-	-	-	(1,906)	1,906	-
	(8,320)	(9,837)	-	-	(7,227)	(5,009)	-	-	(2)	-	(271)	-	(30,666)	1,906	(28,760)
Segment profits/ (losses)	23,441	40,648	6,612	35,687	7,757	15,647	6,741	7,680	1,959	864	(2,018)	(1,674)	143,344	-	143,344
Share of profits of associated companies net of taxation	-	-	-	17,708	-	-	-	-	-	-	-	586	18,294	-	18,294
Profit/(loss) before taxation	23,441	40,648	6,612	53,395	7,757	15,647	6,741	7,680	1,959	864	(2,018)	(1,088)	161,638	-	161,638
Income tax expense															(30,544)
Profit after taxation															131,094
Minority interests															(31,593)
Profit attributable to equity holders of the Company															99,501

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OSK Holdings Berhad

44. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments (Cont'd)

(RM '000) 2006	Debt securities, equity & nominees corporate advisory	Venture capital	Property development	Financing	Property investment	Unit trust	Futures and options	Offshore invest- ment bank	Holding entities	Others	Conso- lidated
Assets											
Tangible assets	2,218,788	107,442	306,959	227,454	163,831	44,516	71,138	9,954	19,822	160,357	3,330,261
Intangible assets	198,346	-	43,140	-	-	-	-	-	5,876	990	248,352
Segment assets	2,417,134	107,442	350,099	227,454	163,831	44,516	71,138	9,954	25,698	161,347	3,578,613
Investment in associated companies	-	214,958	-	-	-	-	-	-	10,126	-	225,084
	2,417,134	322,400	350,099	227,454	163,831	44,516	71,138	9,954	35,824	161,347	3,803,697
Unallocated assets											13,244
Consolidated total assets											3,816,941
Liabilities											
Segment liabilities	1,631,874	828	57,136	167,344	31,564	15,200	59,210	51	189,020	104,541	2,256,768
Unallocated liabilities											39,059
Consolidated total liabilities											2,295,827
Other information											
Capital Expenditure	10,412	587	3,619	8	99	124	428	7	-	1,663	16,947
Non-cash expenses											
Accretion of discount on BaIDS	-	-	-	-	-	-	-	-	1,867	-	1,867
Allowance for bad and doubtful debts	6,989	-	-	1,919	-	-	427	-	-	-	9,335
Allowance for bad and doubtful debts written back	(9,721)	-	-	-	-	-	-	-	-	-	(9,721)
Allowance for diminution in value of:											
- Long term investment	-	692	-	-	-	-	-	-	-	-	692
- Investment in associates	-	24	-	-	-	-	-	-	-	-	24
Bad debts written off	-	-	-	2,056	99	-	-	-	-	-	2,155
Depreciation	9,633	474	398	15	1,758	361	154	2	-	355	13,150
Impairment loss of intangible assets	87	-	-	-	-	-	-	-	-	-	87
Pre-operating expenses written off	-	3	-	-	-	-	-	-	-	-	3
Property, plant and equipment written off	819	-	1	-	-	-	-	-	-	1	821
Provision for interest cost on legal suit	2,159	-	-	-	-	-	-	-	-	-	2,159
Reversal of diminution in value of:											
- fund manager's stocks	(4)	-	-	-	-	-	-	-	-	-	(4)
- marketable securities	-	-	-	-	-	-	-	-	(1,033)	-	(1,033)
Write off of:											
- Business and intellectual property	-	214	-	-	-	-	-	-	-	-	214
- Development costs	-	2,988	-	-	-	-	-	-	-	-	2,988
- Goodwill on consolidation	-	883	-	-	-	-	-	-	1,373	-	2,256

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OSK Holdings Berhad

44. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments (Cont'd)

(RM '000) 2005	Debt securities	Equity & nominees	Corporate advisory	Venture capital	Property develop- ment	Financing	Property invest- ment	Unit trust	Futures and options	Offshore invest- ment bank	Holding entities	Others	Sub- total	Elimina- tions	Conso- lidated
Revenue															
- external parties	38,208	126,715	8,045	15,963	72,383	16,978	5,030	39,431	7,159	508	1,701	3,769	335,890	-	335,890
- inter-companies	1,674	663	460	4,382	-	-	8,051	-	-	-	102,598	110	117,938	(117,938)	-
Total	39,882	127,378	8,505	20,345	72,383	16,978	13,081	39,431	7,159	508	104,299	3,879	453,828	(117,938)	335,890
Results															
Profit/(loss) with external parties	18,382	15,778	5,490	12,141	20,922	15,284	(927)	5,798	1,489	(47)	(1,392)	(414)	92,504	-	92,504
Revenue from inter-companies	1,674	663	460	4,382	-	-	8,051	-	-	-	3,212	110	18,552	(18,552)	-
Expenses to inter-companies	(306)	(10,911)	(245)	(105)	(7)	(485)	-	(506)	(347)	(60)	(2,244)	(124)	(15,340)	15,340	-
Profit/(loss) before taxation	19,750	5,530	5,705	16,418	20,915	14,799	7,124	5,292	1,142	(107)	(424)	(428)	95,716	(3,212)	92,504
Less: funding costs															
- Bank facilities fees and interest	(4,622)	(4,622)	-	-	(312)	(2,770)	-	-	(84)	-	-	(167)	(12,577)	-	(12,577)
- BaIDS profit discount and expenses	-	-	-	-	(5,507)	-	-	-	-	-	-	-	(5,507)	-	(5,507)
- Bonds and ICULS interest	-	-	-	-	-	(738)	-	-	-	-	(738)	-	(1,476)	-	(1,476)
- Interest on inter-company advances	-	-	-	-	(1,776)	(1,436)	-	-	-	-	-	-	(3,212)	3,212	-
	(4,622)	(4,622)	-	-	(7,595)	(4,944)	-	-	(84)	-	(738)	(167)	(22,772)	3,212	(19,560)
Less: allocation of amortisation of goodwill	(2,644)	(2,644)	(2,644)	(107)	-	-	-	-	-	-	(2,000)	-	(10,039)	-	(10,039)
Segment profits/ (losses)	12,484	(1,736)	3,061	16,311	13,320	9,855	7,124	5,292	1,058	(107)	(3,162)	(595)	62,905	-	62,905
Share of profits of associated companies, net of taxation	-	-	-	7,848	-	-	-	-	-	-	-	508	8,356	-	8,356
Profit/(loss) before taxation	12,484	(1,736)	3,061	24,159	13,320	9,855	7,124	5,292	1,058	(107)	(3,162)	(87)	71,261	-	71,261
Income tax expense															(10,191)
Profit after taxation															61,070
Minority interests															(15,669)
Profit attributable to equity holders of the Company															45,401

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OSK Holdings Berhad

44. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments (Cont'd)

(RM '000) 2005	Debt securities, equity & nominees corporate advisory	Venture capital	Property development	Financing	Property investment	Unit trust	Futures and options	Offshore invest- ment bank	Holding entities	Others	Conso- lidated
Assets											
Tangible assets	840,472	83,987	281,559	159,500	168,060	30,620	44,216	10,143	87,007	45,943	1,751,507
Intangible assets	117,996	5,457	43,140	-	-	-	-	-	2,031	936	169,560
Segment assets	958,468	89,444	324,699	159,500	168,060	30,620	44,216	10,143	89,038	46,879	1,921,067
Investment in associated companies	-	137,175	-	-	-	-	-	-	-	4,149	141,324
	958,468	226,619	324,699	159,500	168,060	30,620	44,216	10,143	89,038	51,028	2,062,391
Unallocated assets											21,691
Consolidated total assets											2,084,082
Liabilities											
Segment liabilities	416,397	297	60,811	111,141	1,469	7,775	34,028	14	45,108	14,418	691,458
Unallocated liabilities											31,794
Consolidated total liabilities											723,252
Other information											
Capital Expenditure	8,186	390	1,139	4	71	746	481	7	-	1,352	12,376
Non-cash expenses											
Accretion of discount on BaIDS	-	-	1,365	-	-	-	-	-	-	-	1,365
Allowance for bad and doubtful debts	4,707	-	-	-	-	-	-	-	-	-	4,707
Provision for diminution in value of marketable securities	406	-	-	-	-	-	-	-	166	-	572
Amortisation	7,932	1,389	-	-	-	-	-	-	2,000	18	11,339
Bad debts written off	88	-	-	239	-	-	-	-	16	-	343
Depreciation	8,205	482	375	18	1,821	364	128	-	-	73	11,466
MESDAQ admission written off	154	-	-	-	-	-	-	-	-	-	154
Plant and equipment written off	841	-	-	-	-	-	-	-	-	-	841
Pre-operating expenses written off	-	3	-	-	-	-	-	-	13	-	16
Provision for interest cost and compensation on legal suit	2,159	-	-	-	-	-	-	-	-	-	2,159

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OSK Holdings Berhad

44. SEGMENT INFORMATION - GROUP (CONT'D)

(b) Geographical segments

In presenting information by geographical locations, segment revenue is based on geographical locations of operations. Segment assets are based on the geographical location of assets.

2006	Malaysia RM'000	Hong Kong RM'000	Singapore RM'000	Total RM'000
Revenue	451,169	22,849	75,944	549,962
Profit before tax	143,818	841	16,979	161,638
Total segment assets	2,585,882	160,566	1,057,249	3,803,697
Capital expenditure	11,460	1,422	4,064	16,946
2005	Malaysia RM'000	Hong Kong RM'000	Singapore RM'000	Total RM'000
Revenue	332,870	3,020	-	335,890
Profit/(loss) before tax	72,030	(769)	-	71,261
Total segment assets	2,018,543	43,849	-	2,062,392
Capital expenditure	11,111	1,265	-	12,376

45. SIGNIFICANT EVENTS

(a) Transformation of status from a Universal Broker to an Investment Bank

OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB"), a wholly owned stock broking subsidiary of the Company, had on 4 January 2006 and 26 December 2006 paid RM10 million and RM42.5 million respectively, being a total contribution of RM52.5 million to Bank Negara Malaysia ("BNM") for a merchant banking licence to transform OSKIB from a Universal Broker into an Investment Bank.

(b) Acquisition of subsidiary company, DMG & Partners Securities Pte Ltd ("DMG")

On 31 March 2006, OSKIB, a wholly owned subsidiary company, completed the acquisition of 51% equity interest in DMG, a company incorporated in Singapore, which comprises 15,300,000 ordinary shares of SGD1 each for a total purchase consideration of RM117,597,328. The details of this acquisition are disclosed in Note 17(a)(i).

(c) Acquisition of land in Bukit Jed, Seremban for property development project

On 22 February 2006, Aspect Potential Sdn Bhd, an indirect subsidiary held via OSK Property Holdings Berhad ("OSKPH"), had acquired 222 vacant lots within Taman Bukit Jed, Seremban, Negeri Sembilan Darul Khusus for a consideration of RM21,150,000 [Note 16(a)]. The acquisition was via tender at the Seremban High Court and is related to a material litigation [Note 47(a)] of the Group.

(d) Subscription of additional shares in OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB")

On 29 March 2006, the Company subscribed for an additional 100,000,000 ordinary shares of RM1 each at par in its wholly owned subsidiary company, OSKIB, for a cash consideration of RM100,000,000.

OSKIB remained as a wholly owned subsidiary company of the Company and the issued and paid-up capital of OSKIB increased by RM100,000,000 from 530,000,000 to 630,000,000 of ordinary shares of RM1.00 each.

The new shares rank pari passu in all respects with the existing ordinary shares of OSKIB.

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OSK Holdings Berhad

45. SIGNIFICANT EVENTS (CONT'D)

(e) Subscription of additional shares in Acendas-OSK REIT Management Sdn Bhd ("AOSK REIT")

On 9 May 2006, the Company subscribed for an additional 504,900 ordinary share of RM1.00 each at par in AOSK REIT, a subsidiary, for a cash consideration of RM504,900. The new shares rank pari passu in all respects with the existing ordinary shares of AOSK REIT.

The shareholdings of the Company in AOSK REIT remained at 51%. The issued and paid-up share capital of AOSK REIT was increased by RM990,000 from RM10,000 to RM1,000,000 of ordinary shares of RM1.00 each.

(f) Subscription of additional shares in OSK Asia Holdings Limited ("OSKAH") and disposal of entire equity interest in OSK Asia Holdings Limited ("OSKAH") to OSKIB

On 23 May 2006, the Company increased its shareholding in OSKAH from 74.19% to 75.76% by way of subscription of an additional 4,000,000 ordinary shares of HKD1 in OSKAH (equivalent to RM1,927,200). The issued and paid up share capital of OSKAH increased from 62 million to 66 million of HKD1 each.

On 28 August 2006, the Company completed the disposal of 50,000,000 ordinary shares of HKD1 each, representing 75.76% equity interest in OSKAH to OSKIB, a wholly owned subsidiary of the Company for a cash consideration of RM23,404,130. Effectively, OSKAH has become an indirect subsidiary of the Company.

Following the disposal of entire equity interest in OSKAH by the Company, OSKIB had on 8 September 2006 subscribed for 62,000,000 new ordinary shares of HKD1 each at par in OSKAH, thereby increasing the issued and paid-up share capital to HKD128,000,000 from HKD66,000,000 and increasing the shareholding to 87.50% from 75.76%. The new shares rank pari passu in all respects with the existing ordinary shares of OSKAH.

(g) Proposed disposal of KE-ZAN Holdings Berhad ("KHB") to OSK Property Holdings Berhad ("OSKPH") was aborted

On 26 May 2006, the Company announced the cancellation of the proposed disposal of the entire equity interest in KHB to its subsidiary, OSKPH.

(h) Proposed Executive Share Option Scheme ("ESOS") of OSKVI

On 26 May 2006, OSKVI, a subsidiary company of the Company, proposed to implement an ESOS of up to ten percent (10%) of the issued and paid-up share capital of OSKVI for the eligible executives and directors of OSKVI and its subsidiary companies.

OSKVI has obtained all required approvals and as of 31 December 2006 the ESOS has not been implemented.

(i) Subscription of 1,520,000 new ordinary shares of USD1.00 each in GMO Global Limited ("GMO") for a total cash consideration of USD1,520,000 by OSK Ventures International Berhad ("OSKVI") and listing of GMO Limited ("GMOL") on the Alternative Investment Market of the London Stock Exchange ("AIM")

On 2 August 2006, OSKVI, a subsidiary of the Company, had further subscribed for 1,520,000 new ordinary shares of USD1.00 each in GMO for a total cash consideration of USD1,520,000 (equivalent to RM5,588,053). The shareholding of OSKVI in GMO remains at 20% as the existing shareholders in GMO subscribed the new ordinary shares according to their respective current shareholdings.

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45. SIGNIFICANT EVENTS (CONT'D)

- (i) Subscription of 1,520,000 new ordinary shares of USD1.00 each in GMO Global Limited ("GMO") for a total cash consideration of USD1,520,000 by OSK Ventures International Berhad ("OSKVI") and listing of GMO Limited ("GMOL") on the Alternative Investment Market of the London Stock Exchange ("AIM") (Cont'd)

On 18 August 2006, OSKVI entered into a Share Exchange Agreement ("SEA") with Green Packet Berhad ("GPB"), mTouche Technology Berhad ("mTouche") and GMOL together with its existing shareholders, namely Monitor Holdings Limited ("MHL") and Primary Holdings Limited ("PHL") where GMOL acquired the entire issued and paid-up share capital of GMO. GMOL acquired the 20% equity interest in GMO held by OSKVI at a total consideration of £1,013,966 (equivalent to RM7,029,928) which was satisfied by way of a share swap which entailed the issuance of 599,980 shares of £1.00 each in GMOL at an issue price of £1.69 per GMOL share, was credited as fully paid-up shares.

Further to the completion of acquisition of GMO by GMOL, GMOL had implemented a share split on the basis of every one share of £1.00 each in GMOL into ten shares of £0.10 each ("New GMOL Shares"). Upon completion of the share split exercise and in conjunction with the listing of GMOL on the Alternative Investment Market ("AIM") of the London Stock Exchange, GMOL had undertaken a public issue of 10 million New GMOL Shares, representing 25% of the enlarged issued and paid-up share capital of GMOL, at subscription price of £0.50 each. Effectively, GMOL became a 15% associated company of OSKVI.

On 6 September 2006, the entire issued and paid-up share capital of GMOL of £4,000,000 comprising 40,000,000 ordinary shares of £0.10 each was admitted to AIM.

On 19 September 2006, GMOL further issued 100,000 new ordinary shares of £0.10 each from the shares options exercised, accordingly, the equity interest of the OSKVI in GMOL became 14.96%.

As at 31 December 2006, the investment in GMOL is as follows:

	31.12.2006
	RM
Quoted outside Malaysia, at cost	5,588,213
Share of post-acquisition reserves	4,024,634
	<hr/>
At carrying value	9,612,847
	<hr/>
At market value	44,292,000
	<hr/>

- (j) Acquisition of entire equity interest in OSK Ventures International Limited (formerly known as Future View Investments Limited) ("OSKVIL")

On 9 August 2006, OSKVI acquired one (1) ordinary share of HK\$1.00 in OSKVIL, representing the entire issued and paid-up share capital in OSKVIL for a cash consideration of HK\$1.00. OSKVIL was incorporated in Hong Kong on 20 July 2006 with an authorised share capital of HK\$10,000, comprising 10,000 shares of HK\$1.00 each. By virtue of the acquisition, OSKVIL has become a wholly owned subsidiary of OSKVI.

- (k) Proposed Private Placement of OSKVI

On 28 August 2006, OSKVI proposed a Private Placement of up to 15,000,000 new ordinary shares of RM1 each representing up to ten percent (10%) of the issued and paid-up share capital of OSKVI to investors to be identified, for the purpose of future venture capital investment. The proposed Private Placement is pending implementation as at the date of adoption of the financial statements.

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OSK Holdings Berhad

45. SIGNIFICANT EVENTS (CONT'D)

(l) Disposal of entire equity interest in OSK Futures and Options Sdn Bhd ("OSKFO") to OSKIB

On 22 September 2006, the Company completed the disposal of OSKFO to OSKIB, a wholly-owned subsidiary of the Company, of 10 million ordinary shares of RM1.00 each of OSKFO, representing 100% equity interest in OSKFO for a cash consideration of RM10,827,174. Effectively, OSKFO has become an indirect subsidiary of the Company.

(m) Proposed Extension of the Duration of the Existing ESOS and Proposed Amendments to the Existing ESOS By-Laws of the Company

The ESOS of the Company was approved by the Securities Commission ("SC") on 12 April 2002 and thereafter by its Shareholders at an Extraordinary General Meeting ("EGM") held on 21 May 2002. The Company's ESOS was originally effective for a period of five (5) years commencing on 18 February 2003 and expiring on 17 February 2008.

On 11 September 2006, the Board of Directors of the Company proposed to undertake the following:-

- (i) extend the duration of the Company's existing ESOS, which is due to expire on 17 February 2008, for another five (5) years to 17 February 2013; and
- (ii) amend the By-Laws governing the ESOS to be in compliance with the Listing Requirements of Bursa Securities and that the Directors are authorised with full powers to assent to any condition, modification, variation and/or amendments as may be required or imposed by the relevant authorities as they deem fit and to do all such acts and things as they may deem necessary or expedient in order to implement, finalise, give full effect to the proposed amendment.

The Proposed Extension of the Duration of the Existing ESOS and Proposed Amendments to the Existing ESOS By-Laws was approved by the Shareholders of the Company at the Extraordinary General Meeting held on 17 November 2006.

Details of the extension of the ESOS subsequent to the year is as disclosed in Note 46(e).

(n) Proposed Merger of Stock Broking Activities of OSKIB ("OSKIB") and Futures and Options Broking Activities of OSK Futures and Options Sdn Bhd ("OSKFO") ("the Proposed Merger")

OSKIB, a wholly-owned subsidiary of the Company, has on 15 November 2006 entered into a Business Merger Agreement ("BMA") with its wholly-owned subsidiary, OSKFO, to merge its stock broking activities with the futures and options broking activities of OSKFO.

The Proposed Merger is subject to the following:-

- (a) the notification to/approvals from the Securities Commission ("SC"), Bursa Malaysia Derivatives Berhad ("Bursa Derivatives"), Bursa Malaysia Derivatives Clearing Berhad ("Bursa Clearing (D)") and/or other relevant authorities;
- (b) the Shareholders' approvals of OSKIB and OSKFO to the BMA and the execution of the same;
- (c) the grant of the futures broker's licence to the OSKIB by the SC under the Futures Industry Act 1993;
- (d) the grant of a Vesting Order of the High Court of Malaya to facilitate on the transfer of the business and undertakings from OSKFO to OSKIB pursuant to Section 124(B) of the Securities Commission Act, 1993.

On 16 November 2006, Bursa Derivatives and Bursa Clearing (D) had granted their approvals in-principle for the Proposed Merger and to be implemented within six months from 16 November 2006.

Upon completion of the Proposed Merger, OSKFO shall cease its provision of futures and options broking services and OSKIB shall assume the same in place of OSKFO.

45. SIGNIFICANT EVENTS (CONT'D)

- (n) Proposed Merger of Stock Broking Activities of OSKIB ("OSKIB") and Futures and Options Broking Activities of OSK Futures and Options Sdn Bhd ("OSKFO") ("the Proposed Merger") (Cont'd)

The Proposed Merger is a strategic move for the OSKIB Group to create a larger and more robust securities and futures broking company. The capital market operations of OSKIB and OSKFO are being combined to gain the business and operational synergies and economies of scale in terms of more effective use of its resources and cost savings from the integration process. The Proposed Merger is also in line with the recommendation of the Malaysia's Capital Market Masterplan for common trading platform for stocks and futures.

- (o) Joint Venture Agreement ("JVA") between OSK Investment Bank (Labuan) Limited ("OSKIBL"), Washington Square Investment Management (Asia Pacific) Limited ("WSQAP") and H.E. Khalid Ali Al Bustani ("Mr. Bustani")

On 16 November 2006, OSKIBL, a wholly-owned subsidiary of the Company, entered into a JVA with WSQAP and Mr. Bustani to set up a joint-venture company in Dubai International Financial Centre ("DIFC") to offer financial products, investment and corporate advisory services.

Pursuant to the JVA, OSKIBL and WSQAP will each hold a 42.5% stake in the joint venture company and the remaining 15% will be held by Mr. Bustani. Subject to approvals of the relevant authorities of DIFC for the establishment of the joint venture company, the new company is expected to commence its operation in the first quarter of 2007.

- (p) Proposed Acquisition of 725,000 ordinary shares of RM1.00 each, which represents 50% of the total issued and paid-up share capital of OSK Wealth Planners Sdn Bhd ("OSKWP") from the existing shareholder ("the Proposed Acquisition of OSKWP")

On 27 November 2006, the Company has entered into a Sale of Shares Agreement with Equitable Investment Co. (Hong Kong) Ltd ("EIC") to acquire 725,000 ordinary shares of RM1.00 each, which represents 50% of the total issued and paid-up share capital of OSKWP for a total cash consideration of RM1.00.

On 28 December 2006, the Securities Commission has approved the sale and purchase of the 725,000 shares and resultant changes in shareholding of OSKWP.

The Company and EIC, being the parties of a Shareholders' Agreement dated 24 April 2004 have mutually agreed that the said Shareholders' Agreement be terminated, subject to the terms set out in the Sale of Shares Agreement dated 27 November 2006.

Details of the completion of the Proposed Acquisition is as disclosed in Note 46(f).

- (q) Proposed Private Placement of up to 25,000,000 new ordinary shares of RM1.00 each in OSKH, representing not more than ten percent (10%) of the issued and paid-up share capital of the Company

At the Company's sixteenth (16th) Annual General Meeting held on 6 April 2006, the shareholders of OSKH passed a resolution pursuant to Section 132D of the Companies Act, 1965 that empowered the Board to allot and issue new OSKH Shares from time to time and upon such terms and conditions and for such purpose as the Board may deem fit provided the aggregate number of OSKH Shares to be issued shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company.

On 29 November 2006, the Company proposes to implement a private placement of up to 25,000,000 new ordinary shares of RM1.00 each in OSKH ("Placement Shares"), representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to Bumiputera investors to be identified later ("Proposed Private Placement").

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45. SIGNIFICANT EVENTS (CONT'D)

- (q) Proposed Private Placement of up to 25,000,000 new ordinary shares of RM1.00 each in OSKH representing not more than ten percent (10%) of the issued and paid-up share capital of the Company (Cont'd)

The Proposed Private Placement will provide an avenue for OSKH to increase its Bumiputera equity shareholdings. The funds to be raised will be utilised for its working capital requirements.

The Proposed Private Placement has received approvals from the regulatory authorities and is expected to be completed in March 2007.

- (r) Approval granted by Securities Commission to OSKIB on Structured Warrants

On 30 November 2006, OSKIB obtained the conditional approval from the Securities Commission for the following proposals:

- (i) Issuance of the following Structured Warrants ("SW") by way of placement:
- Collateralised and non-collateralised American style physical delivery call warrants over single equities;
 - Collateralised and non-collateralised American style cash settled call warrants over single equities;
 - Collateralised and non-collateralised American style cash settled call warrants over a basket of underlying securities;
 - Collateralised and non-collateralised American style cash settled call warrants over an index; and
 - Non-collateralised European style physical delivery bull equity-linked investment over single equities.
- (ii) Listing of and quotation for the SW on the Main Board of Bursa Securities.
- As at 31 December 2006, the proposed issuance, listing of and quotation for the SW was pending the fulfilment of relevant requirements and the permission from Bursa Securities. Further details of SW issued by OSKIB are disclosed in Note 46(b).

- (s) Approvals granted to DMG & Partners Securities Pte Ltd ("DMG") on Advising on Corporate Finance and Acting as Issue Manager Respectively by Monetary Authority of Singapore ("MAS") and Singapore Exchange Limited ("SGX")

On 11 December 2006, MAS has issued a new license to DMG, an indirect subsidiary of OSKH, to provide the regulated activity of "advising on corporate finance" in addition to other regulated activities already provided by DMG namely dealing in securities, trading in futures contracts, securities financing and provision of custodial services for securities.

In relation to the "advising on corporate finance", SGX has also vide its letter dated 29 November 2006 granted an approval in principle for DMG to act as issue manager for initial public offerings (IPO), reverse takeovers (RTO) and other corporate exercises pursuant to listing of securities.

DMG was incorporated in Singapore to provide stock broking and related services. It is a licensed capital markets services provider in Singapore and a member company of the Singapore Exchange Securities Trading Limited. DMG is 51%-owned by OSKH via its wholly-owned subsidiary, OSKIB.

- (t) Purchase of additional shares in OSKVI

During the current year, the Company purchased additional 8,897,500 shares of RM1 each in OSKVI at a total cost of RM21,854,746 (2005: RM6,579,625) from the open market. As at 31 December 2006, the Company held a total of 97,690,270 (2005: 88,792,770) shares of RM1 each representing 65.13% (2005: 59.20%) equity interest in OSKVI.

46. MATERIAL SUBSEQUENT EVENTS

- (a) Change of name of OSK Securities Berhad to OSK Investment Bank Berhad, grant of merchant bank licence and commencement of merchant bank business

On 18 January 2007, OSK Securities Berhad changed its name to OSK Investment Bank Berhad ("OSKIB") to facilitate the transformation from a Universal Broker to an Investment Bank. OSKIB was granted a licence to carry on merchant banking business in Malaysia with effect from 18 January 2007 by the Minister of Finance II pursuant to Section 6(4) of the Banking and Financial Institutions Act 1989.

On 29 January 2007, OSKIB commenced business as an Investment Bank.

OSKIB had received approval from Bank Negara Malaysia ("BNM") to comply with the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") not later than one year from the date of inception of its investment bank status.

- (b) SW issued by OSKIB

Subsequent to the year end, OSKIB issued non-collateralised American-Style cash settled call warrants over ordinary shares of Bumiputra-Commerce Holdings Berhad, Magnum Corporation Berhad and Kuala Lumpur Kepong Berhad, that are quoted on the Main Board of Bursa Securities.

- (c) Proposed Private Placement of the Company

On 14 February 2007, the Board of Directors of the Company has fixed an issue price of RM2.25 per Placement Share for the first and final tranche of Placement Shares to Bumiputera investors. It is not the intention of the Board to place the Placement Shares to directors or substantial shareholders of the Company and/or persons connected with them.

- (d) Joint Venture Agreement ("JVA") between OSK-UOB Unit Trust Management Berhad ("OUTM"), iFAST Corporation Pte Ltd ("iFAST") and Mr Lim Chung Chun ("LCC")

On 12 February 2007, OUTM, a 70%-owned subsidiary company of OSKIB (which is the Company's 100%-owned subsidiary) entered into a JVA with iFAST and LCC (collectively defined as "Parties") to establish a joint venture company ("Newco") for the purpose of dealing unit trust funds in Malaysia, including acting as an Institutional Unit Trust Agent, operating a unit trust-related website, investment management services and other ancillary services.

The proposed shareholdings in Newco is 49% by OUTM, 49% by iFAST and 2% by LCC. A subsidiary of OSKIB, DMG & Partners Securities Pte Ltd, holds 11.05% equity interest in iFAST as at 31 December 2006. The JVA is subject to obtaining all relevant regulatory approvals.

- (e) Extension of ESOS

The duration of the ESOS of the Company which was due to expire on 17 February 2008 was subsequently extended on 4 January 2007 to expire on 17 February 2013, as approved by the Options Committee. The extension of the ESOS was hence effective on that date.

- (f) Completion of Acquisition of OSKWP

On 23 February 2007, the Company completed the acquisition of the remaining 50% equity interest in OSKWP as disclosed in Note 45(p).

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47. MATERIAL LITIGATIONS

Save as disclosed below, the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

(a) Seremban High Court Suit No.22-216-2003 Kamal, Lokman & Mustakim Holdings Sdn. Bhd. ("Chargor") and Ahmad Azari bin Mohd. Daud ("Azari") vs OSK Capital Sdn. Bhd. ("OSKC") and OSK Nominees (Tempatan) Sdn. Bhd. ("OSKNT") and Another (collectively referred to as the "Defendants")

The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20,000,000, general damages, interest and costs and claiming against OSKC/OSKNT for negligence, breach of duty, fiduciary duty and unjust enrichment in relation to a facility of RM13,000,000 granted to Azari by OSKC. OSKC and OSKNT have filed their defence on 17 February 2004.

OSKC and OSKNT have filed an application to strike out the Plaintiffs' Writ of Summons and Statement of Claim on the basis that the filing of the action by the Plaintiffs was frivolous and vexatious. Several others interlocutory applications/appeals have been adjourned pending an application by OSKC and OSKNT for security for costs, which are now fixed for hearing on 9 March 2007.

In a related suit, vide Seremban High Court Originating Summons No. 24-882-2001 OSK Capital Sdn. Bhd. v Kamal, Lokman & Mustakim Holdings Sdn. Bhd, OSKC has obtained an order for sale of the charged land which sale has since been completed.

(b) Kuala Lumpur High Court Suit No. D8 (D3)-22-543-1993 Asset Investments Pte. Ltd. ("the Plaintiff") vs O.S.K. & Partners Sdn. Bhd. (now known as OSK Investment Bank Berhad) ("OSKIB")

The suit was brought by the Plaintiff against OSKIB for losses which purportedly resulted from the latter's alleged breach of contract and/or negligence and/or breach of statutory duty arising from an asset-swap transaction which the Plaintiff entered into in 1992.

On 17 December 2004, judgment was entered by the High Court against OSKIB for the sum of RM26,984,729 with interest of 8% per annum from the date of filing of the said action, i.e. 27 May 1993 until full realisation and costs.

A notice of appeal against the judgment of the High Court was filed at the Court of Appeal. The High Court had on 25 January 2006 allowed OSKIB's application for a stay of execution of the above judgment pending the appeal.

The Court of Appeal has fixed 18 April 2007 for: (i) OSKIB's appeal and the Plaintiff's cross appeal against the award of damages; and (ii) the mention of the Plaintiff's appeal against the decision granting the stay.

As at 31 December 2006, a total of RM56,344,113 (2005: RM54,185,335) has been provided by OSKIB for interest cost and compensation for this legal suit as disclosed in Note 38.

The solicitors in charge of this matter are of the view that OSKIB has a fair chance of success in appealing against the judgment of the High Court.

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48. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary and associated companies of the Group are as follows:

Name of subsidiaries/ associates	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
(a) Subsidiary companies of the Company:				
* Ascendas-OSK REIT Management Sdn. Bhd.	Malaysia	Management company for real estate investment trusts	51	51
OSK Investment Bank Berhad (Formerly known as OSK Securities Berhad) ("OSKIB") (a Participating Organisation of Bursa Securities and an Investment Bank)	Malaysia	Stockbroking, corporate advisory, debt securities, interbank market and related activities	100	100
OSK Capital Sdn. Bhd.	Malaysia	Capital financing business	100	100
OSK Futures And Options Sdn. Bhd. (a Participant of Bursa Derivatives and the Derivatives Clearing)	Malaysia	Futures and options broking and related activities	- Note 45(i)	100
OSK Realty Sdn. Bhd.	Malaysia	Property investment	100	100
* OSK Investment Bank (Labuan) Limited	Federal Territory of Labuan	Offshore investment banking activities	100	100
OSK Asset Management Sdn. Bhd.	Malaysia	Discretionary asset management business	100	100
KE-ZAN Holdings Berhad	Malaysia	Investment holding and letting of commercial properties	100	100
OSK Ventures Sdn. Bhd.	Malaysia	Provision of venture capital business	100	100
* OSK Asia Holdings Limited	Hong Kong	Investment holding	- Note 45(f)	74.19
OSK Property Holdings Berhad	Malaysia	Investment holding	64.30	64.28
OSK Ventures International Berhad	Malaysia	Investment holding	65.13 Note 45(t)	59.20

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48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of subsidiaries/ associates	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
(b) Subsidiary companies of OSKIB:				
OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100
OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100
TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100
KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
OSK Research Sdn. Bhd.	Malaysia	Investment research services	100	100
OSK Futures And Options Sdn. Bhd. (a Participant of Bursa Derivatives and the Derivatives Clearing)	Malaysia	Futures and options broking and related activities	100 Note 45(l)	-
OSK-UOB Unit Trust Management Berhad	Malaysia	Management of unit trust funds	70	70
* DMG & Partners Securities Pte Ltd	Singapore	Provision of stock and share broking services	51 Note 17(a)(i) Note 45(b)	-
* OSK Asia Holdings Limited	Hong Kong	Investment holding	87.5 Note 45(f)	-

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48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of subsidiaries/ associates	Country of incorporation	Principal activities	Equity interest	
			2006 %	2005 %
(c) Subsidiary companies of DMG & Partners Securities Pte Ltd:				
* DMG & Partners Nominees Pte Ltd	Singapore	Nominee services	100	-
* Summit Nominees Pte Ltd	Singapore	Nominee services	100	-
(d) Subsidiary companies of OSK Asia Holdings Limited:				
* OSK Asia Futures Limited	Hong Kong	Dealing in futures and options contracts	100 Note 45(f)	100
* OSK Asia Securities Limited	Hong Kong	Securities dealing and provision of securities margin financing	100 Note 45(f)	100
(e) Subsidiary company of OSK Asia Securities Limited:				
** OSK Asia Nominees Limited	Hong Kong	Provision of nominee services	100 Note 45(f)	100
(f) Subsidiary companies of KE-ZAN Holdings Berhad:				
KPEN Sdn. Bhd.	Malaysia	Ceased operations	100	100
K.E. Malaysian Capital Partners Sdn. Bhd.	Malaysia	Ceased operations	100	60
(g) Subsidiary companies of OSK Property Holdings Berhad:				
OSK Properties Sdn. Bhd.	Malaysia	Property development and cultivation and sale of oil palm fresh fruit bunches	100	100
OSK Properties (Seremban) Sdn. Bhd.	Malaysia	Property development	100	100
OSK Properties Management Sdn. Bhd.	Malaysia	Property management	100	100
Aspect Potential Sdn. Bhd.	Malaysia	Property development	100	100
Aspect Synergy Sdn. Bhd.	Malaysia	Property development	100	100
OSK Melaka Sdn. Bhd. (In member's voluntary liquidation)	Malaysia	Ceased operations	-	100

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OSK Holdings Berhad

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of subsidiaries/ associates	Country of incor- poration	Principal activities	Equity interest	
			2006 %	2005 %
(h) Subsidiary companies of OSK Ventures International Berhad:				
OSK Venture Equities Sdn. Bhd.	Malaysia	To undertake venture capital business	100	100
OSK Technology Ventures Sdn. Bhd.	Malaysia	To undertake venture capital business	100	100
OSK Private Equity Management Sdn. Bhd.	Malaysia	Management of investments in securities of venture companies	100	100
OSK Capital Partners Sdn. Bhd.	Malaysia	Investment holding and private equity business	100	100
OSK Ventures International Limited (formerly known as Future View Investments Limited)	Hong Kong	Venture capital and private equity	100 Note 45(j)	-
(i) Subsidiary companies of the Group:				
Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	71.29	68.45
The shareholdings in Finexasia.com Sdn. Bhd. are held by:				
(i) OSK Venture Equities Sdn. Bhd.			31.24	28.40
(ii) OSKIB			40.05	40.05
			<hr/> 71.29	<hr/> 68.45
OSK Trustees Berhad	Malaysia	Professional wills and trustee services	100	100
The shareholdings in OSK Trustees Berhad are held by:-				
(i) OSK Holdings Berhad			20	20
(ii) OSKIB			20	20
(iii) OSK Nominees (Tempatan) Sdn. Berhad			20	20
(iv) TCL Nominees (Tempatan) Sdn. Bhd.			20	20
(v) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			20	20
			<hr/> 100	<hr/> 100

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

48. SUBSIDIARY AND ASSOCIATED COMPANIES (Cont'd)

Name of subsidiaries/ associates	Country of incor- poration	Principal activities	Equity interest	
			2006 %	2005 %
(j) Subsidiary company of Finexasia.com Sdn. Bhd.:				
Stock188.com Sdn. Bhd.	Malaysia	Application service provider to facilitate access to online equity trading, other online information and financial services	100	100
(k) Associated companies of the Company:				
UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	30	30
OSK Wealth Planners Sdn. Bhd.	Malaysia	Provision of financial planning and related services	50	50
(l) Associated companies of the Group:				
* Green Packet Berhad	Malaysia	Wireless networking and tele-communication products, networking solutions and other high technology products and services	17.46	20.27
* MNC Wireless Berhad	Malaysia	Sales and marketing, research and development of wireless, mobile and multimedia solutions and content and investment holding	20.06	20.71
eBworx Berhad	Malaysia	Provision of computer software applications and dealing in computer software and hardware for the financial services industry	20.40	22.63
mTouche Technology Berhad	Malaysia	Provision of innovative digital commerce solutions to the financial services industry	20.31	18.44
GMO Limited Channel Island	Jersey,	Investment holdings	14.96 Note 45(i)	-
* GMO Global Limited Virgin Islands	The British	Provision of cellular communication and wireless value-added services	- Note 45(i)	20.00
ECO Industrial Environmental Engineering Pte Ltd	Singapore	Management, collection, treatment, recovery, incineration and disposal of industrial and hazardous waste, research and development, waste management planning and services and trading in secondary resources, and recovered and recycled materials	27.56	-

* Audited by firms of Public or Chartered Accountants other than Messrs. Ernst & Young.

+ This subsidiary company has not commenced operations as at 31 December 2006.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

49. BASKET CALL WARRANTS ISSUED BY A SUBSIDIARY

On 30 November 2005, OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) ("OSKIB"), a wholly-owned subsidiary company of the Company, has completed the public offering of 20,500,000 Basket CW and the final issue price was determined at RM1.03 per Basket CW. The Basket CW was listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 December 2005.

In accordance with the terms of the Basket CW, 1000 Basket CW are entitled to one Basket comprising a fixed composition of the Underlying Securities (i.e. the "Basket Components"). The Basket Components have been fixed and comprises 127 shares of 20 underlying companies which are listed on Bursa Securities. Each Board Lot of the Basket CW comprises 100 Basket CW. The Final Issue Price has been determined to be RM1.03 per Basket CW on the completion date of 30 November 2005. The proceeds from the issuance of the Basket CW, after deducting the issuance expenses, were used to purchase the Underlying Securities. The Underlying Securities are held in trust by the Security Trustee for the benefit of the Basket CW holders.

Net dividends received on the Underlying Securities will be aggregated and distributed out as income to the Basket CW holders twice a year in May and November during the life of the Basket CW, after a deduction of 25% of the net dividends in favour of OSKIB for management charges, and without interest.

Prior to 4 October 2006, the mode of exercise of the Basket CW was European style whereby it could be exercised by the holders only at the expiry date on 27 November 2009. On 4 October 2006, OSKIB obtained the approval from the Basket CW holders to modify the mode of exercise of the Basket CW from European-style to Bermudan-style of exercise ("Modification"). Consequent upon the Modification, the Basket CW can be exercised on 28 February, 29 May, 29 August and 29 November of each year and at the Expiry Date.

The Basket CW is to be cash settled once the rights conferred is exercised by the Basket CW holders. The Basket CW holders are granted the exercise rights, in respect of each Board Lot of Basket CW to receive the Cash Settlement Amount upon the exercise of the Basket CW. The other terms of the Basket CW, including the Settlement Price and the Exercise Price are stated in the Prospectus for the Basket CW dated 16 November 2005.

The Underlying Securities of the Basket CW are not recognised in the financial statements of the Group for accounting purposes as substantially the risks and rewards incidental to ownership of the Underlying Securities have been transferred to the Basket CW holders.

50. FINANCIAL INSTRUMENTS

(a) Credit risk

The Group and the Company have no significant concentration of credit risk from exposure to a single receivable or to groups of receivables except that the majority of the fixed deposits and short term placements are placed with major licensed financial institutions both in and outside Malaysia. The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

(b) Currency risk

There are no material unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies which may give rise to currency risk other than those disclosed in the respective notes to financial statements.

(c) Operational risk

The operational risk arises from the daily function of the Group which includes legal risk, credit risk, reputation risk, financial funding risk and risk associated to daily running operational activities.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the Board recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that the system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an on-going process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Interest rate risk

The carrying amounts, the effective interest rates as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk are tabled below:

2006 Group	Note	Interest rates %	Within 1 year RM	1 to 2 years RM	2 to 3 years RM	3 to 4 years RM	4 to 5 years RM	More than 5 years RM	Total RM
Fixed rate									
Unquoted redeemable loan notes outside Malaysia	21	12.00	-	-	21,005,337	-	-	-	21,005,337
Unquoted private debt securities in Malaysia*	26	5.00 to 8.25	44,130,233	7,000,000	45,093,000	80,000,000	35,000,000	188,860,525	400,083,758
Money market instruments	26	3.64	309,536	-	-	-	-	-	309,536
Short term placements and fixed deposits	28								
- General accounts		3.00 to 4.65	144,630,931	-	-	-	-	-	144,630,931
- Segregated accounts		2.40 to 3.37	198,049,972	-	-	-	-	-	198,049,972
BalDS	35	7.80	-	(24,011,136)	(23,253,193)	(22,874,566)	-	-	(70,138,895)
Finance lease payables	36	6.85	(679,450)	(728,691)	(485,586)	-	-	-	(1,893,727)
Deposits and placements with banks and financial institutions	39	3.52	15,600,000	-	-	-	-	-	15,600,000
Deposits and placements of banks and financial institutions	39	3.70	(102,090,000)	-	-	-	-	-	(102,090,000)
Commercial papers	40	3.90 to 4.40	(254,113,986)	-	-	-	-	-	(254,113,986)
Floating rate									
Housing Development									
Accounts	28	2.10	3,743,739	-	-	-	-	-	3,743,739
Term Loan	33	5.80	(12,500,000)	(25,000,000)	(25,000,000)	(25,000,000)	(9,211,500)	-	(96,711,500)
Bank overdrafts	40	8.25	(11,064,158)	-	-	-	-	-	(11,064,158)
Revolving credits	40	5.02 to 6.46	(238,078,640)	-	-	-	-	-	(238,078,640)
Company									
Fixed rate									
Amounts due from a subsidiary company	17(b)	2.75 to 5.35	22,447,801	-	-	-	-	-	22,447,801
Amounts due to a subsidiary company	17(c)	5.10	(30,000,000)	-	-	-	-	-	(30,000,000)
Short term placements									
- General accounts	28	3.25	1,950,500	-	-	-	-	-	1,950,500
Floating rate									
Term loan	33	5.80	(12,500,000)	(25,000,000)	(25,000,000)	(25,000,000)	(9,211,500)	-	(96,711,500)
Revolving credit	40	4.65 to 5.10	(20,000,000)	-	-	-	-	-	(20,000,000)
2005									
Group									
Fixed rate									
Unquoted private debt securities in Malaysia*	26	5.55 to 7.20	-	-	2,502,663	10,000,000	5,000,000	135,000,000	152,502,663
Short term placements and fixed deposits	28								
- General accounts		2.10 to 3.93	281,835,521	-	-	-	-	-	281,835,521
- Segregated accounts		2.65	128,195,015	-	-	-	-	-	128,195,015
BalDS	35	7.80	-	-	(23,321,028)	(22,583,814)	(22,323,326)	-	(68,228,168)
Floating rate									
Housing Development									
Accounts	28	2.10	6,945,350	-	-	-	-	-	6,945,350
Bank overdrafts	40	8.25	(67,817,919)	-	-	-	-	-	(67,817,919)
Revolving credits	40	4.35 to 5.63	(106,075,074)	-	-	-	-	-	(106,075,074)
Company									
Fixed rate									
Amounts due from a subsidiary company	17(b)	2.75	10,006,652	-	-	-	-	-	10,006,652
Short term placements									
- General accounts	28	2.65	1,190,000	-	-	-	-	-	1,190,000

* Private debt securities, regardless of dates of maturities, are classified as short term investments as disclosed in Note 26.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	Note	2006		2005	
		Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM
Group					
<u>Financial assets</u>					
Other long term investments	21				
<u>In Malaysia:</u>					
Quoted shares		6,875,197	9,115,037	10,817,632	12,360,732
Unquoted shares:					
- Malaysian Rating Corporation Berhad		490,000	933,651	490,000	933,651
- Preference shares in Bursa Malaysia Derivatives Berhad Class "A", "B" and "C"		2,200,000	*	2,200,000	*
- Redeemable convertible preference shares		-	-	5,000,000	*
Transferable golf club memberships		228,200	1,214,000	228,200	1,292,000
<u>Outside Malaysia:</u>					
Quoted USD class bonds		176,575	184,433	189,000	193,895
Unquoted shares		49,423,768	*	5,693,068	*
Unquoted redeemable secured loan notes		21,005,337	*	-	-
Short term investments	26				
<u>In Malaysia:</u>					
Quoted securities		5,054,895	5,551,676	5,711,428	5,711,428
Quoted basket call warrants		92,769	92,769	-	-
Unquoted private debt securities in Malaysia		400,083,758	442,551,400	152,502,663	157,174,250
Futures contracts		57,928	57,928	-	-
<u>Outside Malaysia:</u>					
Quoted securities		13,632,872	16,877,895	3,038,054	3,679,076

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

50. FINANCIAL INSTRUMENTS (CONT'D)

		2006		2005	
	Note	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM
Group					
<u>Financial assets (Cont'd.)</u>					
Fund manager's stocks	27	1,786,564	1,786,564	802,323	802,923
<u>Financial liabilities</u>					
Term loan	33	96,711,500	96,711,500	-	-
BalDS	35	70,138,895	72,655,000	68,228,168	71,270,000
Amounts due to an associated company	18(b)	3,042,082	#	2,521,773	#
Company					
<u>Financial assets</u>					
<u>In Malaysia:</u>					
Quoted warrants	21	9,617,750	9,577,820	9,617,750	6,385,214
Quoted securities	26	2,349,727	2,751,880	3,844,896	3,844,896
Amounts due from subsidiary companies	17(b)	32,631,293	#	20,541,847	#
<u>Financial liabilities</u>					
Amounts due to subsidiary companies	17(c)	32,667,964	#	53,088,031	#
Term loan	33	96,711,500	96,711,500	-	-

* It is not practical to estimate the fair values of these unquoted investments due principally to a lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

It is not practical to estimate the fair values of amount due to/from subsidiary/associated companies due principally to a lack of fixed repayment terms entered by the parties involved and the inability to estimate fair value without incurring excessive costs.

However, the Company does not anticipate the carrying amounts of these financial instruments to be significantly different from the values that would eventually be settled or received.

The nominal amount and net fair values of contingent liabilities not recognised in the balance sheet of the Group as at the end of the year are as disclosed in Note 43. It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing and eventual outcome.

50. FINANCIAL INSTRUMENTS (CONT'D)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other long term investments

The fair value of shares in Malaysian Rating Corporation Berhad is determined by reference to the net tangible assets of the underlying shares. The fair value of the transferable club membership is based on the current market price of the relevant golf club memberships.

(ii) Short term investments

The fair value of quoted investments including the warrants in a subsidiary company is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. The difference between the cost and the market value of the warrants is not provided for in the financial statements as the Directors do not consider it as impaired.

(iii) Fund manager's stocks

The fair value of these financial instruments is determined by reference to announced net asset value at the close of the business on the balance sheet date.

(iv) Term loan, BaIDS, finance lease payables, deposits and placements of banks

The fair value of these borrowing is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

(v) Trade and other receivables/payables, cash and cash equivalents and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity in nature of these financial instruments.

At the end of the current year, the Group and the Company did not enter into any contract involving financial instruments with off balance sheet risk.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

51. COMPARATIVES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

Certain comparative figures have been restated due to the adoption of new and revised Financial Reporting Standards ("FRSs"):

Group income statement

For year ended 31.12.2005	As previously stated RM	Effects of FRS 101 RM	Restated RM
FRS 101			
Share of profits of associated companies	8,609,666	(254,372)	8,355,294
Tax expense	(10,445,079)	254,372	(10,190,707)
	<u>(1,835,413)</u>	<u>-</u>	<u>(1,835,413)</u>

Share of taxation of associated companies was previously classified as tax expense. This has been reclassified to net off against share of profits of associated companies in accordance with the requirements of FRS 101.

Group balance sheet

As at 31.12.05	As previously stated RM	Effects of FRS 138 RM	Restated RM
FRS 138			
Development costs	2,987,698	(2,987,698)	-
Intangible assets	166,572,677	2,987,698	169,560,375
	<u>169,560,375</u>	<u>-</u>	<u>169,560,375</u>

Development costs as disclosed in Note 19(d) was previously separately shown on the face of the consolidated balance sheet. This has been classified as part of intangible assets in accordance with the requirements of FRS 138.

As at 31.12.05	As previously stated RM	Effects of FRS 140 RM	Restated RM
FRS 140			
Property, plant and equipment (Note 14)	208,908,378	(42,785,687)	166,122,691
Investment property (Note 15)	-	42,785,687	42,785,687
	<u>208,908,378</u>	<u>-</u>	<u>208,908,378</u>

Freehold land located at Lot 26, Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan was previously classified as property, plant and equipment. This property has been reclassified as investment property as it satisfies the requirements of FRS 140.

Notes to the Financial Statements

31 December 2006

OSK Holdings Berhad

51. COMPARATIVES (CONT'D)

Other than the adoption of the above FRS, certain comparatives have been reclassified for more appropriate presentation as shown below:

At 31.12.2005	As previously stated RM	Reclassi- fication RM	As restated RM
Property development costs	63,703,182	(7,322,589)	56,380,593
Accrued billings	-	1,774,900	1,774,900
Progress billings	(26,237,604)	5,547,689	(20,689,915)
	<hr/>	<hr/>	<hr/>
	37,465,578	-	37,465,578
	<hr/>	<hr/>	<hr/>

List of Properties

OSK Holdings Berhad

	ADDRESS/LOCATION	DESCRIPTION	TENURE	APPROXI- MATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXI- MATE AGE OF BUILDING	NET BOOK VALUE RM'000
1	Plaza OSK, Jalan Ampang, Kuala Lumpur	24 storey building situated on Lot 148, Section 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan. Title no: Geran 11034	Freehold	5,351 square meters	30 December 1993	Offices	22 years	97,833
2	No.40 Jalan Radin Anum 2, Bandar Baru Sri Petaling, Kuala Lumpur	3 storey shop house situated on Lot 21315 Mukim Petaling, Batu 7, Jalan Sungai Besi, Negeri Wilayah Persekutuan. Title no: PM1958 (formerly known as H.S.(M)2895)	Leasehold expiring on 5 April 2078	167 square meters	28 April 1995	Office	11 years	679
3	No. 21-25, Jalan Seenivasagam, Greentown, Ipoh, Perak	7 storey building at Town of Ipoh, District of Kinta, State of Perak held under the following titles: Geran No: 64312 Lot 2279N Geran No: 64313 Lot 2280N Geran No: 64316 Lot 2281N PN 81190 Lot 2270N PN 151250 Lot 2271N PN 151251 Lot 2272N PN 154658 Lot 2269N	Freehold (1778 square feet) and leasehold (5422 square feet), all expiring on 21 September 2894 except for PN154658 Lot 2269N expiring on 21 September 2884	7,200 square feet	21 February 2000	Offices	12 years	7,801
4	Jalan Radin Anum, Zone J4, Bandar Baru Seri Petaling	4 storey office building situated on PM 3355 Lot No.21479, Mukim Petaling Tempat Batu 7, Jalan Sg Besi Negeri Wilayah Persekutuan	Leasehold expiring on 5 April 2078	557 square meters	15 March 2004	Office	3 years	3,838
5	No.39 & 39 A, Jalan Saujana 2/2, Taman Saujana Seksyen 2, Bukit Katil, 75450 Melaka	Double storey shop/office unit, Held under Lot No. 5645 Geran 18872 (formerly known as H.S.(D) 29176, P.T. No. 4379) in Mukim Bukit Katil, Daerah Melaka Tengah, Melaka.	Freehold	143 square meters	9 March 2001	Storage facilities	9 years	231
6	No.579-580, Taman Melaka Raya, 75000 Melaka	3 storey shophouse held under Lot No. 365 Pajakan Negeri 2082 and Lot No. 366, Pajakan Negeri 2083 both in the Town Area XXXIX, District of Melaka Tengah, Melaka.	Leasehold expiring on 4 October 2082	466 square meters	9 March 2001	Offices	20 years	674
7	Lot No: 377 & 378 Town Section 20, Town of Georgetown, Daerah Timur Laut, Pulau Pinang	5 storey building, held under title no. Geran 36826 and 36827, Section 20, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang.	Freehold	Lot 377: 1,358 square feet and Lot 378: 2,277 square feet	29 January 2001	Office	27 years	2,570
8	Jalan Ampang, Kuala Lumpur	2 storey building situated on Lot 26, Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan. Title no: Geran 5692	Freehold	1a.2r.18.3p	30 October 1996	Commercial use	-	42,786
9	Raub, Pahang	Land at Lot 569, Mukim of Tras, District of Raub. Title no: C.T.4823	Freehold	85a.3r10p	23 June 1995	Agriculture land	-	1,288

List of Properties

OSK Holdings Berhad

	ADDRESS/LOCATION	DESCRIPTION	TENURE	APPROXI- MATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXI- MATE AGE OF BUILDING	NET BOOK VALUE RM'000
10	Raub, Pahang	Land at Lot 431, Mukim of Tras, District of Raub. Title no: EMR 1050	Freehold	4a.1r.30p	23 June 1995	Agriculture land	-	331
11	Sungai Petani, Kedah Darul Aman	Land at Lot 18479 and 14215, Mukim Sungai Petani, Daerah Kuala Muda, Kedah Darul Aman.	Freehold	2,500 acres	29 January 1996	Commercial and housing development (currently under development)	-	192,482
12	Lot 89845, Jalan Kuala Ketil, 08000 Sungai Petani, Kedah Darul Aman	Single storey building situated on H.S.(D) 107460, PT No. 89845 (formerly known as H.S.(D) 12898/96, PT No. 47450), Mukim Sungai Petani, Daerah Kuala Muda, Kedah Darul Aman	Freehold	28.34 acres	29 January 1996	Sales office	7 years	456
13	A-34, Lot 89 Jalan Pekeliling/ Padang Golf/Bungalow, 39000 Tanah Rata, Cameron Highlands	Riverview Bungalow situated on Lot 89, Mukim of Tanah Rata in the District of Cameron Highlands, Pahang Title no: 2854	Leasehold expiring on 1 November 2038	2a.2r.27p	7 September 1998	Staff accommodation and recreation	48 years	2,141
14	Gemas, Daerah Tampin	Land at H.S.(D) 10811 Lot PT No. 4952, Bandar Gemas, Daerah Tampin, Negeri Sembilan	Leasehold expiring on 23 December 2096	28,428.999 square meters	28 March 2003	Vacant	-	2,050
15	Lot G59 & G61, Mukim Batu, District of Kuala Lumpur	No: 62 & 64 held under master title No PN33134, Lot 59059 (formerly known as PN 30371 Lot No 57745, Mukim Batu, District of Kuala Lumpur	Leasehold expiring on 28 April 2096	11,883.76 square feet	24 May 2004	Office	3 years	3,612
16	Bandar Utama, Segamat Johor	H.S.(D) 26998 Lot No: PTD 8462, Mukim Sungai Segamat, District of Segamat, State of Johor	Freehold	153.2992 square meters	14 July 2004	Office	2 years	655
17	Mukim Seremban, Daerah Seremban, State of Negeri Sembilan	Lots PT No. 3074 - 3221, PT No. 3223 - 3266, PT No. 3268 - 3287 & PT No. 3479 - 3488, Mukim Seremban, Daerah Seremban, State of Negeri Sembilan	Freehold	136,670.10 square meters	22 February 2006	Housing development (currently under development)	-	23,506
18	Mukim Kajang Batu 17, Sungai Chua District of Hulu Langat, Selangor	H.S.M (M): 24410-24435 PT63785-PT63810 Batu 17, Sungai Chua, District of Hulu Langat, Selangor	Freehold	22004.7469 square meters	28 June 2004	Housing development (currently under development)	-	9,516
19	Perdana Avenue Lot 106 Sek 20 & Lot 107 Sek 20 Bandar Kuantan, Daerah Kuantan, Negeri Pahang	Lot 106 (10177) PT 32834 HS(D) 10883 & Lot 107 (10178) PT 32833 HS(D) 10882 Sek 20, Bandar Kuantan, Daerah Kuantan, Negeri Pahang	Freehold	260 square meters	4 October 2005	Office	< 1 year	1,998

Statement of Directors' Interests

as at 28 February 2007

OSK Holdings Berhad

OSK HOLDINGS BERHAD ("OSKH")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	185,645,212	29.07	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,910,785	2.18	-	-
3. Wong Chong Che	5,867,158	0.92	-	-
4. Wong Chong Kim	725,327	0.12	458,395*	0.07

Note:

* Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd

Name of Director	Number of Warrant B 2000/2010			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	37,583,915	37.06	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	10	#	-	-

Note:

Negligible

Name of Director	Number of Options over Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	1,500,000	N/A	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	300,000	N/A	-	-
3. Wong Chong Kim	1,200,000	N/A	-	-
4. Wong Chong Che	115,700	N/A	-	-

SUBSIDIARY COMPANIES

(i) OSK PROPERTY HOLDINGS BERHAD ("OSKPH")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	5,343,059	5.72	60,033,200*	64.24
2. Wong Chong Kim	875,757	0.94	387,100**	0.41
3. Wong Chong Che	140,878	0.15	-	-

Note:

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd

Statement of Directors' Interests

as at 28 February 2007

OSK Holdings Berhad

SUBSIDIARY COMPANIES (CONT'D)

(i) OSK PROPERTY HOLDINGS BERHAD ("OSKPH") (Cont'd)

Name of Director	Number of Warrant 2004/2009			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	7,265,443	14.53	31,926,068*	63.86
2. Wong Chong Kim	438,000	0.88	5,600**	0.01
3. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	20	#	-	-

Note:

Negligible

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd

(ii) OSK VENTURES INTERNATIONAL BERHAD ("OSKVI")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	400,000	0.27	-	-
2. Ong Leong Huat @ Wong Joo Hwa	300,000	0.20	98,487,270*	65.66
3. Wong Chong Kim	300,000	0.20	247,100**	0.16
4. Dr Choong Tuck Yew	37,500	0.03	-	-

Note:

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd

Mr Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies, except wholly-owned subsidiary companies, OSKPH (disclosed above) and OSKVI (disclosed above), are as follows:-

SUBSIDIARY COMPANIES

Name of Company	Number of Ordinary Shares of RM1.00 each	
	Indirect Interest	%
1. Finexasia.com Sdn Bhd	10,000,000	88.02
2. OSK-UOB Unit Trust Management Berhad	7,000,000	70.00
3. Ascendas-OSK REIT Management Sdn Bhd	5,100	51.00

Name of Company	Number of Ordinary Shares of HK\$1.00 each	
	Indirect Interest	%
1. OSK Asia Holdings Limited	112,000,000	87.50

Other than the above, none of the directors in office has any interest in the shares, warrants, debentures and options of the Company and its related corporations as at 28 February 2007.

Statement of Shareholdings

as at 28 February 2007

OSK Holdings Berhad

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM637,769,417 (excluding treasury shares 24,046,212)
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of RM1.00 share	Percentage of Issued Capital
1 - 99	1,818	8.14	64,635	0.01
100 - 1,000	1,722	7.71	976,131	0.15
1,001 - 10,000	15,833	70.91	48,324,932	7.58
10,001 - 100,000	2,681	12.01	64,942,953	10.18
100,001 - 30,518,442*	272	1.22	303,063,913	47.52
30,495,483 and above **	3	0.01	220,396,853	34.56
	22,329	100.00	637,769,417	100.00

Remark :

* Less than 5% of the issued holdings

** 5% and above of the issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	185,645,212	29.07	-	-
2. Liberty Square Asset Management, L.P.	-	-	38,000,000*	5.59%

Remark:

* Deemed interested pursuant to Section 6A(4) of the Companies Act, 1965, shares held by Liberty Square Strategic Partners IV (Asia) Offshore L.P., Liberty Square Partners, L.P. and Liberty Square Offshore Partners Ltd.

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Ong Leong Huat @ Wong Joo Hwa	139,327,965	21.85
2. HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. Incorporated	44,140,000	6.92
3. Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Leong Huat @ Wong Joo Hwa	36,928,888	5.79
4. Koperasi Permodalan Felda Berhad	25,000,000	3.92
5. Employee Provident Fund Board	19,465,287	3.05
6. Citigroup Nominees (Asing) Sdn Bhd Bear Stearns securities corp for Third Avenue Global Value Fund LP	11,950,000	1.87
7. OSK Nominees (Tempatan) Sdn Bhd UOB Kay Hian Private Limited for Ong Leong Huat @ Wong Joo Hwa	9,388,359	1.47
8. Lee Sui Hee	9,066,000	1.42

Statement of Shareholdings

as at 28 February 2007

OSK Holdings Berhad

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name	No. of Shares	%
9. RC Nominees (Tempatan) Sdn Bhd Chin Cheng Mei (SBB KLMPs)	7,936,177	1.24
10. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged securities account for Pengerang Jaya Pte Ltd	7,603,627	1.19
11. Southen Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Nik Mohamed Din Bin Datuk Haji Nik Yusoff	7,000,000	1.10
12. Nik Mohamed Din Bin Nik Yusoff	6,550,785	1.03
13. OSK Nominees (Tempatan) Sdn Bhd Pledged securities account for Wong Chong Che	6,136,058	0.96
14. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for PJ Equity Sdn Bhd (PMB)	5,733,643	0.90
15. Citigroup Nominees (Asing) Sdn Bhd CBHK For Kuwait Investment Authority (Fund 202)	5,520,200	0.87
16. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	5,309,618	0.83
17. Dato' Nik Mohamed Bin Nik Yahya	5,222,729	0.82
18. HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	5,150,600	0.81
19. Malaysia Nominees (Tempatan) Sdn Bhd Pledged securities account for Gooi Seong Gum	5,000,000	0.78
20. HLG Nominee (Asing) Sdn Bhd Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited	5,000,000	0.78
21. HSBC Nominees (Asing) Sdn Bhd Exempt An For The HongKong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	4,872,300	0.76
22. CIMSEC Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd (69001)	4,616,500	0.72
23. OSK Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong King Seng	4,544,000	0.71
24. EB Nominees (Tempatan) Sdn Bhd Pledged securities account for May Ang Poh Chan (PJN)	4,344,444	0.68
25. Citigroup Nominees (Asing) Sdn Bhd UBS AG For EB Asia Absolute Return Master Fund Limited	4,000,000	0.63
26. Khor Chai Moi	3,963,001	0.62
27. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Pengerang Jaya Pte Ltd (JRC)	3,748,672	0.59
28. Permodalan Nasional Berhad	3,705,555	0.58
29. ECM Libra Avenue Nominess (Tempatan) Sdn Bhd Pledged securities account for Leong Kam Chee	3,365,000	0.53
30. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged securities account for PJ Equity Sdn Bhd	3,323,501	0.52

Statement of Warrant B Holdings

as at 28 February 2007

OSK Holdings Berhad

No. of Warrant B issued : 101,423,826

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of Warrant B	Percentage of Issued Warrant B
1 - 99	542	7.26	19,245	0.02
100 - 1,000	3,419	45.81	2,424,741	2.39
1,001 - 10,000	2,880	38.59	11,385,003	11.22
10,001 - 100,000	554	7.42	16,518,151	16.29
100,001 - 5,071,190 *	68	0.91	33,492,771	33.02
5,071,191 and above **	1	0.01	37,583,915	37.06
	7,464	100.00	101,423,826	100.00

Remark :

* Less than 5% of the issued Warrant B

** 5% and above of the issued Warrant B

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Warrant B	%
1. Ong Leong Huat @ Wong Joo Hwa	37,583,915	37.06
2. Lee Sui Hee	3,685,500	3.63
3. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged securities account for Leong Kam Chee	3,095,000	3.05
4. Kelvin Low Meng Poh	2,500,000	2.46
5. Chin Yoke Lan	1,557,000	1.54
6. Leong Kam Chee	1,400,000	1.38
7. OSK Nominees (Tempatan) Sdn Berhad Tan Kim San @ Tan Kim Sun	1,398,000	1.38
8. Citigroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Khor Chai Moi (472724)	1,392,000	1.37
9. TA Nominees (Tempatan) Sdn Bhd Pledged securities account for Soong Ik Lin	1,239,000	1.22
10. Tan Lee Gek	1,074,100	1.06

Statement of Warrant B Holdings

as at 28 February 2007

OSK Holdings Berhad

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name	No. of Warrant B	%
11. OSK Nominees (Tempatan) Sdn Bhd Pledged securities account for Heah Haw Wen	800,000	0.79
12. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged securities account for Chin Yoke Lan	800,000	0.79
13. OSK Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong King Sing	757,000	0.75
14. Rajendran A/L Karupiah	663,000	0.65
15. TA Nominees (Tempatan) Sdn Bhd Pledged securities account for Lim Peng Koon	647,400	0.64
16. TA Nominees (Tempatan) Sdn Bhd Pledged securities account for Toh May Fook	530,000	0.52
17. OSK Nominees (Tempatan) Sdn Bhd Pledged securities account for Teoh Siew Chuan	529,600	0.52
18. Kee Hun Chang @ Kee Ah Bah	525,700	0.52
19. Jen Shek Chuen	480,000	0.47
20. HDM Nominees (Tempatan) Sdn Bhd Pledged securities account for Saw Kok Leng (M11)	479,600	0.47
21. Chen Sui Nyun	454,100	0.45
22. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Yoong Nyok	436,000	0.43
23. Goh Swee Moi	400,000	0.39
24. Lim Ka Huat	370,000	0.36
25. Tim Chai @ Ng Tiam Chai	360,000	0.35
26. Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Lee Choon Fook (338AB2817)	301,500	0.30
27. Sam Ah Fong	301,000	0.30
28. Tan Yik Bor	300,000	0.30
29. Khaw Kien Teck	272,400	0.27
30. Goh Lai Hock @ Goh Guan Chye	260,000	0.26

OSK HOLDINGS BERHAD

(Company No. 207075-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We NRIC No./Passport No./Company No.

of

being a member/members of OSK Holdings Berhad hereby appoint

NRIC No./Passport No. of

or failing him/her NRIC No./Passport No.

of

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 April 2007 at 3:00 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

Resolutions		For	Against
Ordinary Resolution 1	To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2006.		
Ordinary Resolution 2	To sanction the declaration of a final dividend of 7.5 sen per share less 27% income tax in respect of the financial year ended 31 December 2006.		
Ordinary Resolution 3	To approve the payment of Directors' fees of RM215,000.00.		
Ordinary Resolution 4	To re-elect Dato' Nik Mohamed Din bin Datuk Nik Yusoff as Director pursuant to Article 102(1) of the Company's Articles of Association.		
Ordinary Resolution 5	To re-elect Mr. Ong Leong Huat @ Wong Joo Hwa as Director pursuant to Article 102(1) of the Company's Articles of Association.		
Ordinary Resolution 6	To re-elect Dr. Ngo Get Ping as Director pursuant to Article 109 of the Company's Article of Association.		
Ordinary Resolution 7	To re-appoint Dato' Mohamed Tarmizi bin Mohd Tahir as Director pursuant to Section 129(6) of the Companies Act, 1965.		
Ordinary Resolution 8	To appoint Messrs Ernst & Young as the Company's Auditors for the ensuing year.		
Special Business			
Ordinary Resolution 9	Authority to allot and issue shares.		
Ordinary Resolution 10	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature and new mandate for additional recurrent related party transactions of a revenue or trading nature.		
Ordinary Resolution 11	Proposed renewal of authorisation to enable OSK Holdings Berhad to purchase up to 10% of the issued and paid-up share capital of the Company pursuant to Section 67 A of the Companies Act, 1965.		
Special Resolution	Proposed amendments to the Articles of Association of the Company.		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day of 2007

**Number of ordinary
shares held**

.....
* Signature/Common Seal of Shareholder

* Delete if not applicable

NOTES:

1. A member entitled to attend and vote at this meeting entitled to appoint a proxy / proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

OSK Holdings Berhad
(Company No. 207075-U)

DETAILS OF THE PROPOSED AMENDMENTS TO THE

ARTICLES OF ASSOCIATION

OF

OSK HOLDINGS BERHAD

The Articles of Association of OSK Holdings Berhad are proposed to be amended in the following manner, to be in compliance with the amendments to the Listing Requirement of Bursa Malaysia Securities Berhad:

ARTICLE 2

The existing definition in Article 2 be amended to read as follows and wherever appears throughout the entire Articles of Association of the Company:-

Existing Interpretation

“Approved Market Place”

- Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No 2) Order 1998.

“Central Depository”

- Means Malaysian Central Depository Sdn. Bhd.

“Central Depositories Act”

- Means Securities Industry (Central Despoitors) Act, 1991 as amended from time to time and includes any re-enactment thereof.

“Deposited Security”

- A security in the Company standing to the credit of a securities account of the Depositor subject to the provisions of the Central Depositories Act and the Rules.

“Listing Requirements”

- The Listing Requirements of the Kuala Lumpur Stock Exchange including any amendments thereto that may be made from time to time.

“Member/Members”

- Means any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Malaysian Central Depository Nominees Sdn. Bhd.). including depositors whose names appear on the Record of Depositors.

“Securities Account”

- Means an account established by the Central Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the Depositors as defined in the Central Depositories Act and/or the Rules.

“The Company”

- Means O.S.K. HOLDINGS BERHAD

“The Exchange”

- Means Kuala Lumpur Stock Exchange and such other stock exchange if any upon which the share of the Company may be listed and quoted.

Proposed Interpretation

“Approved Market Place”

- A stock exchange which is specified to be an approved market place ***pursuant to an exemption order made under section 62A of the Depositories Act 1991 or any statutory modifications, amendment or re-enactment thereof for the time being in force as may be amended, modified or altered from time to time.***

“Depository”

- ***Bursa Malaysia Depository Sdn Bhd (165570-W) including any further change to its name.***

“Depositories Act”

- ***The Securities Industry (Central Depositories) Act, 1991 or any statutory modifications, amendment or re-enactment thereof for the time being in force.***

“Deposited Security”

- ***Shall have the meaning given in section 2 of the Depositories Act.***

“Listing Requirements”

- ***The Listing Requirements of the Exchange and any amendments thereto that may be made from time to time.***

“Member”

- ***Includes a depositor who shall be treated as if he were a member pursuant to section 35 of the Depositories Act but excludes the Depository in its capacity as a bare trustee.***

“Securities Account”

- ***An account established by the Depository for a depositor for recording of deposit of securities and for dealing in such securities by the depositors.***

“The Company”

- ***OSK Holdings Berhad (207075-U).***

“The Exchange”

- ***Bursa Malaysia Securities Berhad (635998-W) including any further change to its name*** and such other stock exchange if any upon which the share of the Company may be listed and quoted.

ARTICLE 4(d)

The existing Article 4(d) be amended by deleting the last sentence "Only directors holding office in an executive capacity shall participate in such an issue of shares or options provided always that a director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer for a public issue" appearing in Article 4(d) and the amended Article 4(d) shall reads as follows :-

"every issue of shares or options to employees and/or directors shall be approved by the members in general meeting and such approval shall specifically detail the amount of shares or options to be issued to such director."

ARTICLE 5(a)

The existing Article 5 (a) be deleted in its entirety.

ARTICLE 5(b)

The existing Article 5(b) be amended by deleting the last sentence "The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the company is wound up;" appearing in Article 5(b) and the amended Article 5(b) shall reads as follows

"the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the share capital, or on a proposal to wind up or during winding up, or a proposal for the disposal of the whole of the Company's property, business and undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on such shares is in arrears for more than six months."

ARTICLE 17

The existing Article 17 be deleted in its entirety and replaced with the following new Article 17:-

"Subject to the provisions of the Act, the Depositories Act and the Rules, the Company shall allot/or issue securities, despatch notices of allotment to the successful allottees and make an application for the quotation of such securities:

- a) within fifteen (15) market days after the final applications closing date for an issue of securities or such other period as may be prescribed by the Exchange;
- b) within eight (8) market days after the final applications closing date for issues of a rights issue or such other period as may be prescribed by the Exchange;
- c) within eight (8) market days of the date of receipt of a notice of the exercise of an employee share option together with the requisite payment or such other period as may be prescribed by the Exchange;
- d) within eight (8) market days of the receipt of a subscription form together with the requisite payment or such other period as may be prescribed by the Exchange.

The Company must not allot or issue securities until after it has filed with the Exchange a listing application for such new issue of securities and has been notified by the Exchange that such new issue of securities has been approved in principal for listing.

Every certificate issued shall be under the share seal or bear the signatures or the autographic signatures reproduced by mechanical, electronic and/or any other means of one Director and the Secretary or a second Director or such other person may be authorised by the directors, and shall specify the shares to which it relates, and the amount paid up thereon."

ARTICLE 47

The existing Article 47 be deleted in its entirety and replaced with the following new Article 47:-

"The transfers books and Register of Depositors and debentures holders may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any year. Ten (10) market days' notice of intention to close the said Register of Members shall be published in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed. The said notice shall state the purpose or purposes for which the Register of Members is being closed. At the latest date which is reasonably practicable which shall in any event be not less than three (3) market days prior notice shall be given to the Depository to enable the Depository to prepare the appropriate Record of Depositors. In respect of corporate action, at least seven (7) market days prior notice shall be given."

ARTICLE 67

The existing Article 67 be deleted in its entirety and replaced with the following new Article 67:-

"The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice, or twenty one (21) days' notice in the case where any special resolution is to be proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed."

ARTICLE 67B

The existing Article 67B be deleted in its entirety and replaced with the following new Article 67B:-

"The Company shall also request the Depository in accordance with the Rules, to issue a Record of Depositors, as at *the latest date which is reasonably practicable which shall in any event be not less than three (3) market days* before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

ARTICLE 89(2)

The existing Article 89(2) be deleted in its entirety and replaced with the following new Article 89 (2):-

"On a resolution to be decided on a show of hands, each holder of an ordinary share, and each holder of a preference share who has a right to vote, must be entitled to one (1) vote. A proxy shall be entitled to vote on a show of hands on question at any general meeting. In case of a poll, every member holding ordinary share who is present in person or by proxy shall have one (1) vote for every ordinary share held by him."

ARTICLE 100(2)

The existing Article 100(2) be amended by deleting the last sentence "No one other than a natural person shall be director of the Company." appearing in Article 100(2) and the amended Article 100(2) shall reads as follows

"Until otherwise determined by the Company in general meeting the number of directors shall not be less than two (2) nor more than twelve (12) but in the event of any casual vacancy occurring and reducing the number of directors below the aforesaid minimum the continuing directors or director may act for the purpose of filling up such vacancy or vacancies or of summoning a general meeting of the Company."

ARTICLE 112(d)

The existing Article 112(d) be deleted in its entirety.

ARTICLE 112(f)

The existing Article 112 (f) be deleted in its entirety and replaced with the following new Article 112(f):-

"if he becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;"

ARTICLE 112(g)

The existing Article 112(g) be deleted in its entirety and replaced with the following new Article 112(g):-

"if he has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally during his term of office;"